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Who will pay for
the clean-up?
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Germany swallows its
pride to get ahead
Page 13

FINANCIAL TIMES

Europe's Business Newspaper

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Thirteen charged in Abu Dhabi over BCCI affair

Thirteen former officers of the Bank of Credit and Commerce International have been charged in Abu Dhabi two years after the bank was closed following an alleged multi-billion-pound fraud. The charges mean that Mr Swaleh Naqvi, former chief executive officer of the bank, could face a 36-year jail sentence if convicted on all counts. Mr Naqvi was among a number of senior officers in Abu Dhabi engaged in restructuring the bank at the time of its worldwide closure. Page 14

UK expansion exceeds forecasts Britain's manufacturing output rose 1.8 per cent in May, the sharpest monthly increase for four years, and almost 10 times stronger than market expectations. Page 14

Commerzbank, one of Germany's largest banks, has won a long-running legal dispute with British tax authorities in a case which could have important implications for businesses elsewhere in the EC. Page 14

IRI, Italy's biggest state holding company, revealed details of plans to rationalise the telecommunications sector, starting with the merger of Sip and Italcable by January 1 1994. Page 15

Taiwan go-ahead for BAe venture loans Taiwan's economics ministry and local banks agreed in principle to offer Taiwan Aerospace Corporation \$460m in low-interest loans for a \$250m (\$373m) joint venture with British Aerospace. Page 15

Iraq prepares for more strikes Iraq began to prepare the public for possible US military attacks, following its refusal to allow United Nations weapons inspectors to seal off a two missile sites west of Baghdad. Page 5

Clarke visit aims to improve German links

UK Chancellor Kenneth Clarke (left) is to visit Germany for two days from Sunday to strengthen economic relations and smooth tensions between the Treasury and Bundesbank. He will meet Hans Tietmeyer, Bundesbank president-designate, and Theo Waigel, German finance minister, and will give a speech that is expected to develop the UK's ideas for improving Europe's international competitiveness. Page 6

Wholesale prices come down US wholesale prices fell 0.3 per cent in June, the biggest monthly drop in two years, indicating that inflationary pressures are moderating. Page 3

Subpoena for Bush over BML Former president George Bush has received a subpoena to testify and provide documents in the long-running case involving more than \$50m of Iraqi loans, made by the Atlanta branch of Italy's Banca Nazionale del Lavoro. Page 3

Denial on BA 'dirty tricks' British Airways chairman Sir Colin Marshall denied any prior knowledge of the "dirty tricks" his airline played on Virgin Atlantic Airways that led to an apology and a \$500,000 payment to Virgin in January. Page 16; Lex, Page 14

Medco in talks with drug groups A realignment of drug distribution in the US, could be under way following news of talks involving Medco Containment Services, one of the country's largest distributors. Page 15

Delay on water clean-up advised The UK government was advised to delay the timetable for cleaning up the country's water or risk seeing large increases in household water bills. Page 6; Editorial Comment, Page 13; Lex, Page 14

Cambodia guerrillas in peace moves Khmer Rouge guerrillas are willing to join Cambodia's new national army to try to bring peace to the country. Page 5

US steel 'cheaper than imports' Steel imported into the US is often more expensive than that produced by US mills which are accusing foreign competitors of dumping. Page 4

British interest in gas pipeline British Gas, Rolls-Royce and British Steel are among five British companies which may participate in the building of a pipeline to carry Argentine gas to Chile's capital, Santiago. Page 4

India flood deaths reach 175 Floodwaters began receding in northern India as the death toll from four days of heavy monsoon rains rose to at least 175.

| STOCK MARKET INDICES | |
|-----------------------|---------------------|
| FT-SE 100 | 2837.1 (+6.2) |
| Yield | 4.83 |
| FT-SE Euroshare 100 | 1235.91 (+3.01) |
| FT-A All-Share | 1405.44 (+0.2%) |
| Nikkei | 20,780.42 (+200.42) |
| New York Composite | 3518.58 (+7.82) |
| Dow Jones Ind Ave | 448.55 (+0.43) |
| S&P Composite | 448.55 (+0.43) |
| US LUNCHTIME RATES | |
| Federal Funds | 2% |
| 3-mo Treasury Bill | 3.08% |
| Long Bond | 10% |
| Yield | 8.81% |
| LONDON MONEY | |
| 3-mo Interbank | 5% |
| Libor 3m (Sep 1993) | 5.10% |
| 12m (Sep 1993) | 5.10% |
| WORTH SEA OIL (Argus) | |
| Brent 15-day (Aug) | \$17.05 (16.87) |
| Oil | |
| New York Crude (Aug) | \$394.5 (394.9) |
| London | \$393.75 (394.05) |
| Asia | |
| Saudi | \$40.30 |
| Germany | \$40.30 |
| Italy | \$40.30 |
| Japan | \$40.30 |
| UK | \$40.30 |
| US | \$40.30 |
| Other | \$40.30 |
| Oil | \$40.30 |
| Crude | \$40.30 |
| Refined | \$40.30 |
| Gas | \$40.30 |
| Coal | \$40.30 |
| Gold | \$40.30 |
| Silver | \$40.30 |
| Platinum | \$40.30 |
| Palladium | \$40.30 |
| Iron Ore | \$40.30 |
| Copper | \$40.30 |
| Aluminum | \$40.30 |
| Zinc | \$40.30 |
| Nickel | \$40.30 |
| Lead | \$40.30 |
| Sn | \$40.30 |
| Antimony | \$40.30 |
| Mercury | \$40.30 |
| Uranium | \$40.30 |
| Thorium | \$40.30 |
| Other | \$40.30 |

Troops ignore UN orders as Somalia crisis worsens

By Michael Littlejohns
in New York and
Robert Graham in Rome

THE CRISIS over the United Nations peacekeeping role in Somalia deepened yesterday as it emerged that UN troops in the country have been refusing to carry out the orders of local commanders, apparently on instructions from their governments.

According to UN officials in

New York, Italian, Kuwaiti and Saudi contingents have refused to carry out orders given by the Turkish commander, General Civek Bir.

Some troop commanders in riotous Mogadishu were said to have been unwilling to commit contingents to UN sorties because of the risk of casualties. The UN ambassadors of the half-dozen or so countries with more than 1,000 soldiers in Somalia

were recently summoned to discuss the crisis by Mr Kofi Annan, the undersecretary-general in charge of UN peacekeeping operations worldwide.

They were told it was unacceptable for national capitals to issue orders to contingents serving under the UN flag and that General Bir's authority must be respected.

This latest blow to the UN's authority in Somalia emerged as

Italy, which has been expressing disquiet about the conduct of the increasingly bloody operation, asked the UN for its troops in Mogadishu, the capital, to be moved out to safer areas unless agreement could be reached.

Mr Beniamino Andreatta, foreign minister, said he had told Mr Boutros Boutros Ghali, UN secretary-general, the contingent should otherwise be moved north of Mogadishu.

Mr David Andrews, the Irish defence minister, yesterday called for an international conference of the 20 or more countries which are contributing troops to the Somalia operation.

Mr Andrews, speaking after he addressed 80 Irish troops about to be dispatched to Somalia, said: "It is important not to lose sight of the fundamental reason for the UN presence in Somalia, which was to help create the political

and economic conditions whereby ultimately the Somali people could help themselves."

His call came a day after US helicopter gunships blasted the command centre of Gen Mohamed Farah Aided, the fugitive warlord, leaving more than a dozen dead, and a Somali mob

Continued on Page 14
Background, Page 5
Editorial Comment, Page 13

Bonn acts to curb deficit with \$12bn spending cut

By Quentin Peel in Bonn

THE GERMAN cabinet yesterday approved plans for a DM21bn (\$12bn) package of cuts in social spending and unemployment benefits, intended to curb the government's soaring deficit and encourage the Bundesbank to continue cutting interest rates.

Budget spending for 1994 was fixed at DM478.4bn, up 4.4 per cent on the current year, with a forecast borrowing requirement of DM87.5bn - almost identical to the current deficit.

At the same time the cabinet approved a medium-term financial plan to impose a virtual freeze on nominal spending in 1995, and tight restraint until 1997, intended to reduce the deficit to DM48bn in 1996 and DM28bn by 1997.

"We have laid the foundations for improving the ability of the Bundesbank to cut [interest] rates," Mr Theo Waigel said after the cabinet meeting, which was attended by both Mr Helmut Schlesinger, the Bundesbank president, and Mr Oskar Lafontaine, his chief economist.

The finance minister said that both Bundesbank officials had agreed that "the decline in the economy appears to be over, and the signs are increasing for a stabilisation."

The 1994 budget is based on a forecast growth rate of 1 per cent in western Germany next year, assuming a recovery in the first half of the year, after a 1.5 per cent decline in 1993. For the whole of Germany, growth is forecast at minus 1 per cent this year and plus 1.5 per cent in 1994.

The budget of the labour minis-

try, including the payment of unemployment benefit and financing job creation and retraining schemes in eastern Germany, remains by far the largest single element: almost DM122bn, or a quarter of total spending next year. Mr Waigel forecast an unemployment total of 3.75m in 1994, suggesting a continuing rise in unemployment even if the recession bottoms out.

He said the aim of the budget and the medium-term financial plan, was to bring central government spending under control, while still taking action to promote economic recovery.

The DM21bn savings package approved for next year includes a cut of 3 percentage points in unemployment and social assistance benefits, a freeze on pay in the public sector and a clamp-down on social security and tax fraud intended to yield some DM6bn in savings. The cuts in spending resulting from the package should produce savings of more than DM25bn in the federal budget by 1996, and more than DM40bn if the 16 federal states are included.

The package has aroused furious antagonism from trade unions and the Social Democratic party, the main opposition party in the German Bundestag, the lower house of parliament. The SPD controls a majority in the Bundestag, the upper house, but it can only block cuts amounting to some 5 per cent of the total package, according to finance ministry officials.

In addition to the savings pack-

Continued on Page 14
Labour flexibility, Page 2

| German federal budget plan 1993-1997 (DMbn) | | | | | |
|---|------------|-----------|-----------|-----------|-------|
| Forecast 1993 | Draft 1994 | Plan 1995 | Plan 1996 | Plan 1997 | |
| Expenditure | 458.1 | 478.4 | 479.0 | 489.0 | 500.0 |
| Growth rate % | 7.2 | 4.4 | 0.1 | 2.1 | 2.2 |
| Income: | | | | | |
| Tax revenue | 356.1 | 377.9 | 384.1 | 414.5 | 436.0 |
| Other income | 34.5 | 33.0 | 27.9 | 26.2 | 26.0 |
| Net borrowing requirement | 67.6 | 67.5 | 67.0 | 48.0 | 38.0 |

* Bundesbank profits and transfers from Post Office.

Franc's ERM parity defended

By Lionel Barber in Strasbourg

A STRONG DEFENCE of the French franc's parity with the D-Mark was issued yesterday by Mr Wim Duisenberg, chairman of Central Bank governors.

"In no way are the fundamentals out of line with existing parties," he told the European Parliament. Interventions by the French authorities and other central banks had so far successfully defended the franc, he said.

But he added that these interventions had been accompanied by firm measures from the French authorities. He said the concerted voluntary defence of the franc currency was a "true signal of co-operation within the Exchange Rate Mechanism."

On the foreign exchange mar-

kets the franc steadied against the D-Mark, ending a succession of sharp declines, following a show of support from French and German politicians and central bank officials.

Currency traders said that sentiment towards the franc had improved and that there had been fairly strong buying interest. But they warned that the instability facing the currency may not yet have run its course. Mr Duisenberg also argued that the credibility of the EC's plans for economic and monetary union depended on member states taking tough action to restrain budget deficits.

He said public sector deficits would rise to more than 6 per cent of the EC's gross domestic product this year - the highest

which will ever have been recorded in the Community's history and double the target set out in the Maastricht treaty's goal of 3%.

He added that tackling budget deficits was a prerequisite for easing monetary policy. "A credible, predetermined and irreversible path towards fiscal balance is essential to improve the potential of the Community's economies, and thus to retain confidence in the successful transition to economic and monetary union," he said.

Mr Duisenberg's appearance in a plenary session of the parliament is rare, reflecting a new assertiveness by the Euro-legislature whose powers are set to expand once Maastricht is ratified.

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Trucks tossed from the roadway by the recent earthquake which devastated Japan's main island of Hokkaido. Quake overshadows poll, Page 5

Islamic troops offered for Bosnia

By Michael Littlejohns
in New York, Farhan Bokhari
in Islamabad and Laura Silber
in Belgrade

SEVEN Islamic countries yesterday offered to provide up to 18,000 troops for the United Nations protection force in Bosnia-Herzegovina.

The commitment was made at a two-day special conference of the Organisation of Islamic Cooperation in Islamabad as United Nations officials warned for the first time of the "real risk" that it might become impossible to continue operations in Bosnia. In a sombre report to the Security Council, Mr Boutros Boutros Ghali, the secretary-general, spoke of "the deteriorating situation on the ground".

His special representative, Mr Thorvald Stoltenberg, said the choice facing the UN in the republic was "simple and stark".

Iran has offered up to 10,000 troops, Pakistan 3,000, Bangladesh 1,200, Malaysia 1,500, Tunisia 1,000 and the Palestinian delegation 1,000, while Turkey offered up to a brigade in response to an earlier request by UN secretary-general for more troops to protect safe zones.

Mr Stoltenberg said it was up to the UN secretary-general to decide how the OIC offer could be used in the interests of peace.

Noting that original estimates were that up to 32,000 UN troops were needed just to protect the "safe areas" in Bosnia including the besieged capital of Sarajevo, he reported that only 1,120 had been deployed so far in a force already scaled down to 7,500 at the Security Council's insistence.

Mr Stoltenberg explicitly rejected a contention by the Bosnian delegate, Mr Muhamed Sacirbey, that his warning of a possible UN withdrawal was designed to pressurise Muslim authorities into entering new negotiations.

Mr Stoltenberg appeared confi-

dent that all three parties to the conflict would go to Geneva next week for new talks aimed at a durable settlement. In his own report, Mr Boutros Ghali said the "stark realities are that there is little prospect for implementing the safe areas policy before new resources arrive and that the civilian population will face devastating hardship next winter unless Unprofor focuses on efforts to restore utilities and humanitarian relief deliveries."

In the concluding paragraph of the report, Mr Boutros Ghali said: "Members of the Security Council will wish to consider the

deteriorating situation on the ground against the prospects for a negotiated settlement. While it is obviously of paramount importance to sustain the humanitarian effort for as long as possible, there is a real risk that, if the present downward spiral continues, it will be impossible for the United Nations to remain in Bosnia and Herzegovina."

Mrs Sadako Ogata, the UN's High Commissioner for Refugees, is due to visit Sarajevo today. Her visit will coincide with a meeting of Bosnia's collective presidency about peace proposals for the Geneva talks.

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Loans reach record \$23.7bn World Bank lending soars

By George Graham
in Washington

THE WORLD BANK increased its lending by \$2bn to a record \$23.7bn over the past 12 months, with a sharp rise in new loans to recent members in eastern Europe and the former Soviet Union.

But political turmoil and a shift in the bank's lending strategy, away from adjustment lending and towards individual projects, led to a fall in lending to Africa.

New commitments there dropped to \$2.5bn in the 1993 accounting year which ended on June 30, compared with \$4bn in the previous 12 months.

Commitments to Europe and central Asia rose to \$3.5bn, compared with \$2.1bn in the previous year, largely because of \$1.5bn in loans to eight countries of the former Soviet Union which have just joined the bank.

Overall, new commitments from the International Bank for Reconstruction and Development, the core of the World Bank group, climbed to \$16.5bn for 12 projects, compared with

\$15.2bn for 112 projects in fiscal 1992.

The International Development Association, the bank's unit which provides low interest loans to the very poorest countries, committed \$6.8bn to 233 projects in fiscal 1993, compared with \$5.5bn for 110 projects in the previous year.

The bank said preliminary figures for disbursements, or money actually handed over to borrowers, showed an increase to \$18bn compared with \$16.5bn in fiscal 1992.

While IDA commitments have been climbing steadily since 1988, IBRD lending has been more stagnant, fluctuating between \$15bn and \$16.4bn for several years.

Earlier this week, the bank unveiled a set of changes in management practices designed to address criticism of over-emphasis on lending, and to improve the quality of its projects.

Reviews of its portfolios in countries such as India and Brazil has led to \$2.3bn of projects being cancelled outright, although most of the savings are redirected towards other needs in the same countries.

Subpoena for Bush in BNL affair

By Alan Friedman in New York

FORMER President George Bush has received a subpoena to testify and provide documents in the long-running case involving more than \$5bn of Iraqi loans, made by the Atlanta branch of Italy's Banca Nazionale del Lavoro (BNL).

Mr Bush has consistently denied any wrongdoing by the government in the BNL affair. It is not known yet whether he plans to contest the subpoena.

The subpoena, filed by the lawyers of Mr Christopher Drogoul, former BNL Atlanta manager, calls for the ex-president to appear in September at Mr Drogoul's trial in Atlanta.

It seeks from Mr Bush 37 documents, including records of conversations with both Mr Giulio Andreotti, former prime minister of Italy, and Mr Boyden Gray, Mr Bush's White House counsel.

Mr Drogoul, who is accused of masterminding a multi-billion dollar loan effort that funded Iraq's nuclear and conventional weapons programme, has changed his plea from guilty to innocent.



George Bush: Lawyers for former BNL manager Christopher Drogoul want his testimony

Last autumn, as the BNL controversy came to a boil in the closing stages of the US presidential election campaign, a federal judge in Atlanta said he suspected a US government cover-up and stated that CIA documents proved that the Bush administration knew about and interfered with the BNL case.

Mr Robert Simels, Mr Drogoul's defence lawyer, said yesterday the Bush subpoena was

designed to prove that his client was merely a tool in a broader effort by the US, Italian and British governments to help Iraq's President Saddam Hussein during his eight-year war against Iran.

"The aim is to compel the former president to appear, and to produce documents that relate to his knowledge of US foreign policy towards Iraq in the 1980s, coupled with his efforts to assist Iraqi purchases

backed by loan guarantees from the US government," Mr Simels said. "We also want to show Mr Bush's communications with Prime Minister Andreotti and the Italian government on this matter."

Canada senate cancels its rise

By Bernard Simon in Toronto

LAWMAKERS around the world who contemplate voting themselves large pay rises in tough times may wish to take note of the recent humbling experience of the Canadian senate.

The upper chamber of parliament has bowed to a public outcry by rescinding a C\$6,000-a-year (\$3,180) rise in expense allowances, which it approved less than three weeks ago.

"The senate made a mistake on June 23, and public opinion on a matter of this kind must be respected," said Senator Lowell Murray, government leader, at a special session convened on Monday night to overturn the increase.

The 104 senators owe their seats to patronage appointments by former Conservative and Liberal prime ministers, but they are at present a little more sensitive to public opinion than usual.

With a general election coming up within the next four months, both the Conservatives and Liberals want to avoid anything that might risk driving voters into the arms of smaller parties, several of which favour either abolition or drastic reform of the Canadian federal parliament's upper chamber.

The senators could not have chosen a worse time to award themselves an increase.

The province of Ontario has just passed a law requiring \$50,000 civil servants to accept a three-year pay freeze and 12 days of unpaid leave a year.

With the national unemployment rate at 11.3 per cent and inflation at 1.8 per cent, most private-sector workers can look forward to, at best, a token pay rise this year.

Faced with the combined opprobrium of their party leaders, the media and the public, the senators meekly accepted that an increase was not such a good idea after all.

The vote to rescind the extra allowance was 80-1, with two abstentions.

The about-turn is "not a humiliating thing," Senator Murray declared, but "the right thing."

Not all his colleagues agree. The lone senator from New Brunswick who stuck by his original vote noted that the arguments made last month, in support of more generous travel and accommodation allowances, still applied.

"I've seen nothing to change my mind," he said.

Wholesale prices come down in US

By Michael Prowse
in Washington

US WHOLESALE prices fell last month, indicating that inflationary pressures are moderating, the Labour Department reported yesterday.

The producer price index for finished goods fell 0.3 per cent in June, the biggest monthly drop in two years. The annual rate of wholesale price inflation fell to 1.4 per cent against 2 per cent in May.

The decline in inflationary pressures was led by a 0.9 per cent drop in food prices in June compared with May, and a 0.5 per cent fall in energy prices. However, excluding the volatile food and energy com-

ponents, the core producer price index fell 0.1 per cent. In May, core producer prices rose a modest 0.3 per cent.

If consumer price figures due today are equally encouraging, the Federal Reserve is likely to become more relaxed about the inflation outlook. In May, after a series of unexpectedly large price increases, it shifted to a bias towards raising short-term interest rates. An early rise in rates is not now expected.

Analysts said severe flooding in the Midwest was already pushing up some agricultural prices, but the sluggishness of the economic recovery was expected to prevent them feeding through into a broader increase in inflation.

Rescue plan for Everglades agreed

By Lisa Branstetter
in Washington

FLORIDA sugar-growers and state and federal officials yesterday agreed in principle on a plan to clean up the endangered Everglades, ending a five-year legal wrangle.

The plan, announced by Mr Bruce Babbitt, interior secretary, is the latest in a series of compromise deals worked out by the Clinton administration to settle disputes between business and environmental interests.

Under the agreement the sugar-growers have promised to spend up to \$323m over 20 years to reduce pollution from fertilisers and increase the flow of water to the Everglades, one of the world's most famous swamp areas and home to a huge variety of plant and animal species.

The federal government will seek to contribute about \$181m through flood control projects and the services of the Army Corps of Engineers. The state of Florida may also contribute funds to the project.

A further \$21.5m per year could be raised from a special local tax, although this must be approved by voters.

The plan has emerged after a series of lawsuits by federal officials and environmentalists. Phosphate fertilisers running off from sugar farms have caused native plants. Changes in the course of the Kissimmee river also damaged the Everglades by cutting water supplies.

While some environmental groups gave general support to the plan, criticism is already emerging from environmentalists such as the Audubon Society, who say they were excluded from the negotiations.

Issues left unresolved by the framework agreement include the timetable, construction schedules and water quality standards, Mr Babbitt said.

One issue that promises to be contentious is whether sugar-growers can be asked to contribute more money in 20 years if the goals of this project are not reached.

Menem election push opposed

By John Barham
in Buenos Aires

THE Catholic Church and the conservative press, two pillars of Argentina's establishment, yesterday attacked President Carlos Menem's campaign to seek a second term when his present mandate ends in 1995.

His re-election effort has become the main political issue in Argentina because it would require a constitutional amendment. A presidential incumbent may not serve the next term.

Unlike Mr Menem's free market economic reforms, his re-election drive has aroused strong opposition from business and led to renewed attacks by the Church.

Yesterday, the influential conservative newspaper La Nación condemned Mr Menem's plan for a plebiscite to accelerate the amendment.

Plebiscites are not binding on congress, but the opposi-

tion fears the government would use a likely majority to intimidate congress into backing an amendment.

The Church's magazine, *Criterio*, asked in an editorial if Mr Menem's re-election effort were due "only to the attraction of power" or to "the necessity to perpetuate a group in power so that acts of corruption are not investigated".

The Church is divided over Mr Menem's economic strategy, with conservatives backing his policies and liberals demanding greater social justice. However, both wings appear to have united in opposition to his re-election.

The attacks on Mr Menem follow the formal proposal last Thursday by Peronist (government party) senators to amend the constitution. They suggested broadening civil rights and strengthening the judiciary, as well as lifting the re-election ban.

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NEWS: WORLD TRADE

ITC staff report will bear on dumping decisions

Import prices 'often higher' than US steel

By Nancy Dunne
in Washington

THE PRICE of steel imported into the US is often higher than the steel sold by the American mills which are accusing their foreign competitors of widespread dumping, according to a report produced by the staff of the International Trade Commission.

The ITC's staff report forms part of the record for the agency's six commissioners when they weigh their decisions on 72 flat-rolled dumping and subsidy steel cases now moving towards conclusion. Injury findings in the controversial cases are due on July 27.

"Imports generally cost twice as much as domestic steel," said a senior ITC staff member, who asked not to be identified. Often the foreign products are of higher quality, or capable of special use, and price is not a factor.

In fact, high-quality imports often cost so much more that a lawyer defending South Korea before the ITC introduced commissioners to a "dummy theory" - arguing that US steel customers had to be "dummies" if they are buying from abroad a product they can get domestically and paying more.

The prices charged for steel imports could be the key to the 72 cases against foreign companies, which are accused of depressing US prices. About \$3.2bn (\$2.2bn) in preliminary

tariffs have been levied against them, but the duties would be lifted if the ITC fails to find that imports are the cause of the US industry's troubles.

A survey conducted by the non-partisan ITC staff found that price is rarely an issue when US manufacturers purchase foreign steel products. More often, the steel is purchased for reasons of quality, reliable supply or superior technical support - the reasons they buy from Americans.

According to the survey, users also buy from domestic sources because of shorter lead times between orders and delivery, because of "Buy American" policies, and of scope for placing smaller minimum orders.

Several purchasers said they would not buy any foreign steel if comparable domestic products were available at lower prices; others said they bought imports because a comparable product was not available from domestic mills.

The staff also found that foreign companies as a whole had increased market penetration for hot-rolled steel. The share steadily increased from 13.2 per cent in 1990 to 15.3 per cent in 1992. However, the increases were captured by Canada, South Korea and the Netherlands, while other countries' shares were constant or declined.

Lawyers representing foreign producers were pleased with

the staff report, but say the ITC commissioners are unpredictable and sometimes biased towards the domestic industry.

The senior ITC staffer confirmed that impression. "A minority of commissioners vote on the merits of the individual cases," he said. "We look at the decisions... and they're from Mars."

Mr Jim Bovard, an expert on the "unfair trade" laws, said the commission could look at the higher prices and rule the defendants guilty of "quality dumping" - meaning that the price difference is less than the quality difference, and the foreign steelmaker should charge more even if prices are higher.

"The decisions are often written by the commissioners' staffers," he said. "They are political animals."

Meanwhile, US steel users have organised to lobby against the industry's effort. They say the higher prices resulting from the tariffs will make their products uncompetitive on export markets.

The Coalition of American Businesses for Stable Steel Supplies said the high tariffs hurt small business which is expected to generate most of the country's new jobs.

"Supply instability and higher prices will reduce the competitiveness of literally thousands of American companies that employ perhaps up to 8m American workers," the group said.

UK interest in trans-Andean pipeline



Michael Portillo led delegation to Chile

By David Pilling in Santiago

FIVE British companies, among them British Gas, Rolls-Royce and British Steel, are discussing possible participation in the trans-Andean gas pipeline with a Chilean consortium.

The project, expected to cost \$1.2bn-\$2bn, will carry gas from southern Argentina to Chile's capital, Santiago, a distance of 1,200km.

UK company executives visited Chile recently as part of a delegation led by Mr Michael Portillo, Britain's chief sec-

retary to the Treasury. They discussed participating in transmission and distribution work with Chilecta and ENAP, which hold the gas supply contract.

The project has a target completion date of late 1995.

Mr Portillo said the broader aim of his trip was to raise Chile's profile among UK businesses. Although Britain had historically been a big investor in the country, it had been slow to exploit recent opportunities outside the mining sector.

Chile's economy, though rel-

atively small, is one of the fastest growing in Latin America. Its exports are equally divided between Europe, Asia and the Americas.

Mr Portillo, who said ministers had assured him of the country's commitment to free trade, is keen to speed up two bilateral trade deals: a double taxation accord and an investment promotion and protection agreement. After talks with Chile's foreign minister, Mr Enrique Silva, he expressed confidence that the taxation accord would be signed "before the end of the year".

Cash sought for Danube bridges

BULGARIA is looking for foreign investors and partners to build its share of two new bridges across the River Danube, officials said yesterday, Reuters reports from Sofia.

Bulgaria and Romania plan to build the bridges across their Danube frontier to ease a heavily congested route that links central Europe, several former Soviet republics and the Middle East.

"We are inviting foreign bids for the construction of the bridges," said Mr Matey Donchev, technical director of Bulgaria's Danube bridges directorate. Neither country had the money to construct the bridges and would have to rely on investment from abroad.

Officials have estimated the cost of each bridge at \$120m

(\$81m). They would be built over the next four years and customs posts will be combined to save time.

Mr Donchev said Mitsubishi from Japan had shown interest in the project, as had other companies from South Africa, Turkey and Austria.

Only one bridge links Bulgaria and Romania at present and it is severely congested because of diverted traffic from the former Yugoslavia, wracked by civil war.

It is planned that one road and rail bridge will link the Bulgarian river port of Vidin with the Romanian town of Calafat, and the other will connect Oryahovo on the Bulgarian side with the Romanian town of Bekei.

GEC-Alsthom backed in Indonesia power bid

By William Keeling in Jakarta

GEC-ALSTHOM, the Anglo-French supplier of electricity generation equipment, has gained support in the Indonesian parliament in the bitter fight to win contracts for two 300MW power stations.

Mr Erio Soekardja, deputy chairman of the Indonesian parliamentary energy commission, has called on the government to explain why a rival bid has been favoured, even though it is significantly higher than that tendered by GEC-Alsthom.

PLN, the country's state-owned electricity company, recommended last May that the German operation of ABB, the Swiss-Swedish group, and

Mitsubishi of Japan should build the gas-powered stations, at Muara Tawar in West Java and Pasuruan in East Java.

Some \$220m of investment in new capacity for the power network is planned in the period 1994 to 1999, and, according to one industry official, the companies "are playing rough and ready business politics" to win a share of it.

Antara, the state-owned news agency, says GEC-Alsthom has written to Indonesian President Suharto, setting out its bid of \$500 per kilowatt, valuing the stations at \$150m each, and a commitment to complete them by September of next year.

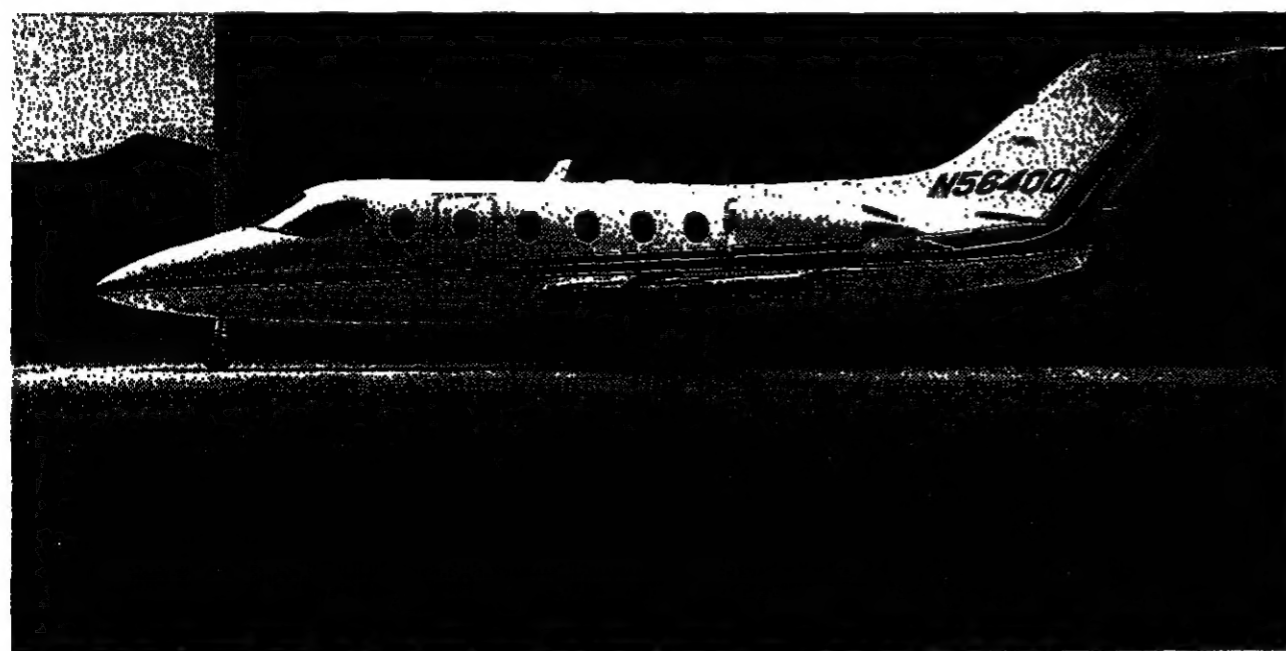
The bid by ABB and Mitsubi-

shi, it claims, represented \$623 per kilowatt, valuing the plants at \$187m each, and offered completion by March, 1995.

PLN says that its recommendation was based on the proven track record of ABB and Mitsubishi in Indonesia. Industry officials also suggest that technical variations in the proposals could account for the cost difference.

Correction

PDV S.A. of Venezuela was wrongly referred to as the state oil company of Colombia on page XV of FT Exporter (June 28). The Colombian national company is Ecopetrol.



IT CRUISES AT 538MPH AND HAS THE ROOMIEST, MOST COMFORTABLE CABIN IN ITS CLASS. REASON ENOUGH TO READ ON.

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Eastward with success in glass

Ronald van de Krol visits a Philips factory venture in Poland

THE easiest way to measure the transformation of Poland's biggest lighting company is to look for broken glass - or a lack of it - at its production site.

Before Philips of the Netherlands took a majority stake in Polam-Pila, in 1991, the company had to produce 170 glass tubes to end up with 100 fluorescent lights.

This was because 70 per cent of all glass tubes broke, cracked or ended up faulty. The tell-tale signs of inefficiency were the shards of glass littering the factory floor.

Now - after investments in a new glass furnace, intensive training of staff and the advent of stringent quality control - Philips Lighting Poland, the new Polam-Pila, needs to produce just 112 tubes for every 100 effective fluorescent lights. This ratio compares well with the 108:100 achieved by Philips factories in such places as the Dutch town of Roosendaal.

Showing off his new, computer-driven quality control system, Mr Stanislaw Kozlowski, the 42-year-old general manager, says: "Before, we had four grades of quality that we checked for. Now we accept only one type of quality - the best."

The sharp improvement, achieved by a 3.5-fold increase in annual investment to Fl 21.8m (£7.6m) means that the company, at Pila in north-western Poland, is now allowed to export some of its products to the Philips sales organisation in the Netherlands.

This effectively puts a small portion of its production on a par with that of the 11 other lighting plants maintained by Philips in western Europe.

Skill, the Polish company has

a long way to go, despite turning in a small profit for 1992 after running up a loss in 1991.

The contrast between the new and the old is vividly highlighted by Building 61A - a showcase of new Philips-built equipment - and Building 43, described by one manager as an "industrial archaeological museum."

Indeed, inside the hall, pride of place is reserved for two machines dating from the 1920s. These were confiscated from the old Philips factory in Warsaw, after nationalisation in 1949, and are no longer in service. The rest of the machines in the hall are virtually carbon copies of this original, outdated, machinery.

For Philips, Polam-Pila is an important step in its plans for eastern Europe, giving it a strong foothold in the region's biggest market and access to a company with a proven record in exports.

In 1992, exports accounted for nearly 60 per cent of sales of \$58m (£37m). Most of these were to store chains in North America and Britain, which sold the lamps under their own labels.

Russian exports, hit by turmoil in the former Soviet Union, have started to recover, now that sales are denominated in dollars and linked in a complex counter-trade arrangement to Polish imports of Russian oil.

The Polish investment is important because it marks a departure from the normal Philips practice. Instead of stationing a team of expatriate managers in Poland, the Dutch company chose at the outset to work with local management under Mr Kozlowski, whose 80-hour week is testimony to the challenge of switching from a command economy to a free market.

In many ways, the success of Polam-Pila under Philips is an extension of its impressive

achievements under the constraints of communism. The company used to be bound to follow ministerial edicts from Warsaw, but it was allowed to start exporting to the west in the 1970s and to expose itself to the rigours of self-financing in the 1980s.

"In spite of adverse conditions, they had developed according to their own philosophy, they were motivated and they were serious," according to Mr Einar Kloster, president of the Philips Lighting division.

Mr René van Roeth, a divisional director and key adviser to the Polish team, says: "This use of local management is something we may want to try elsewhere." Philips, which has light bulb factories from Nigeria to Indonesia, is keen to expand.

Its eyes are firmly set on China. Its efforts in Poland are frequently contrasted with the acquisition of Hungary's Tungsram Lighting group by General Electric of the US.

The US company has made intensive use of expatriates

and of Hungarian-American managers, and job losses have been heavy.

A direct comparison, however, is difficult because Tungsram is four times larger than Polam-Pila, and has six production sites instead of one. Even so, only 500 out of 3,500 jobs have been lost in Pila, underlining the fact that the Polish factory had never known the over-staffing common under the former, communist system.

The labour force in Poland has had to adjust to new circumstances. Early expectations of western wages were dashed by a temporary freezing of salaries, causing some short-term labour unrest which has since abated.

Also, the Polish management put a halt to the old practice of paying people according to the number of light bulbs produced, regardless of quality.

"Over a year, we gradually abandoned paying people on the quantity of their output," Mr Kozlowski says. "Payment is now on the basis of a monthly salary, with the possibility of a small bonus to keep quality discipline."

Bosnia: when, if ever, will the new Crusade stop?

A World Conference in London on November 12, 13 & 14, 1993.

The Balkans have been a battlefield of two great civilisations. A new phase of the old struggle has begun. We have seen a glimpse of the methods the West and its surrogate will use against Islam. Where will the axe fall next?

What can Muslims do about it? The failure of Muslim States, organisations and Islamic movements to mount a credible response to a world crisis is in itself a major issue for discussion. The Muslim Parliament debated Bosnia on June 19 and asked the Leader, Dr Kalim Siddiqui, to call a world conference.

We invite, ulama, academics, specialists, activists and students from all parts of the world to participate. Those interested should first write requesting a conference paper and a formal invitation.

The Muslim Parliament is also looking for conference sponsors. Donations may be sent to The Muslim Parliament (Bosnia Account No. 0540580) Lloyds Bank Plc, (30-96-43), 84 Park Lane, London W1Y 4BX or direct to us.

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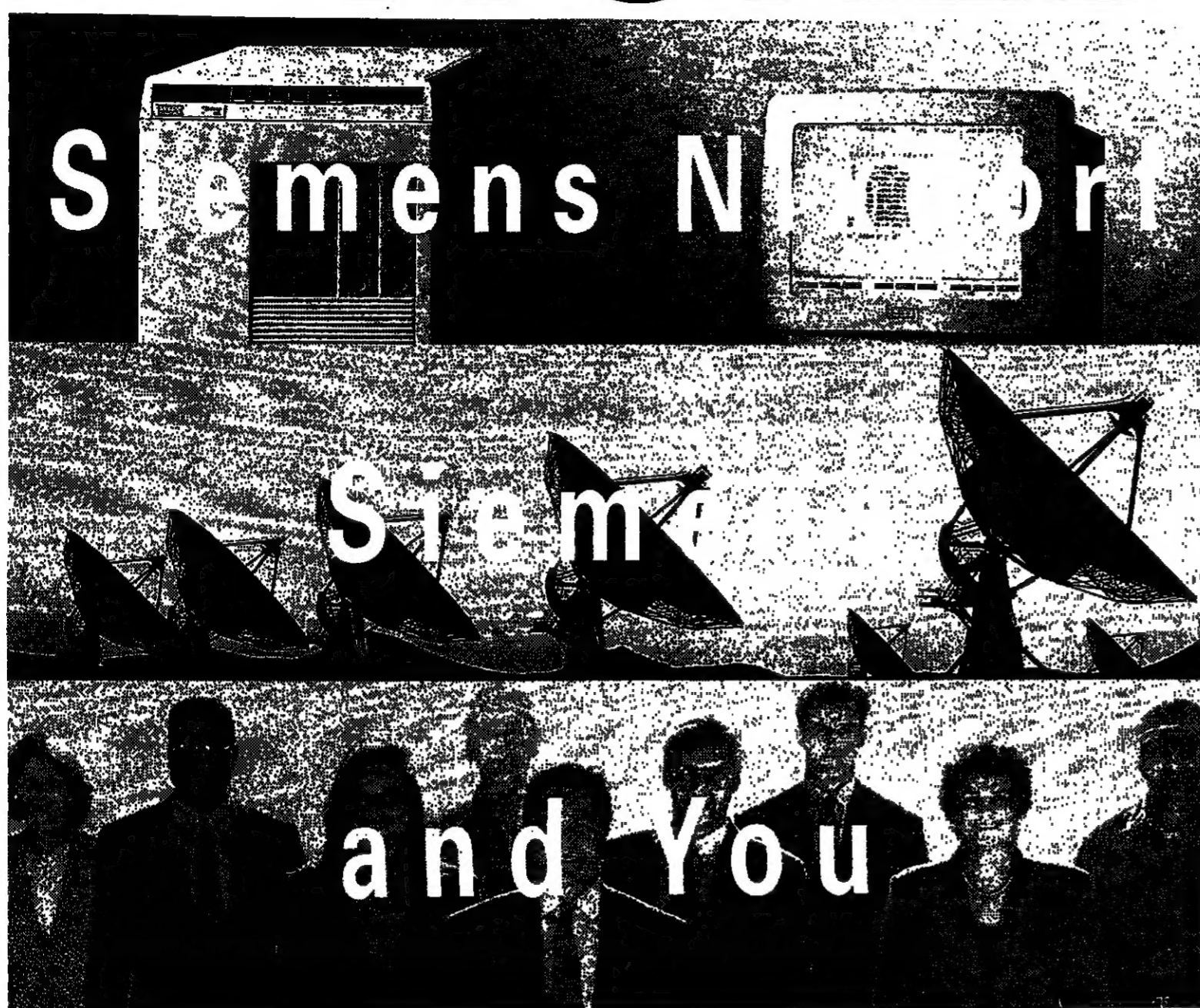


Dr Kalim Siddiqui

The Muslim Parliament
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SIEMENS NIXDORF

IT-WORLD NEWS



**Synergy at work
with Siemens AG**

Synergy between partners, drawing on the huge potential of Siemens AG for performance capacity far beyond the reach of Siemens Nixdorf on its own, and working with clients to plan and develop the final product: integrated solutions, from central servers in administration to process control computers in the factory – solutions which can only be provided by Siemens Nixdorf working with Siemens AG's plant, transport and automation technology divisions and public and private networks. From "Computer Integrated Railroading" – the computer-supported control and supervision of rail movements at the Munich North shunting yards – to the integration of diverse computer and database systems for a more efficient construction and redevelopment strategy at Horsham – planned by Siemens and carried out by Siemens Nixdorf. The achievements of "Synergy at work" worldwide translate into benefits for clients in every sector, from BMW to national energy suppliers such as MEW Kuwait. See this new issue of IT World News for more details.

Example of synergy in power supply

Kuwait: From high voltage network to data network "Synergy at work" covers the lot.



The Kuwait Ministry of Electricity and Water (MEW) is investing 130 million DM to bring itself right up to date in terms of monitoring and controlling the power station operation together with the 300/132 kV high voltage network. The aim is to create an integrated mains supply technology within 36 months, thereby making the power supply more reliable and more efficient. Siemens is providing the mains technology – using SINAUT Spectrum. Combined with this is Siemens Nixdorf's latest computer technology – workstations with SINICAL SINIX software, and PCs for office automation, as well as

intelligent expert systems for troubleshooting in the event of system failures. SINICAL provides comprehensive network planning, calculation and analysis – data from the power stations and substations is transmitted, processed by the computer system and displayed on screen as compressed graphical information. Using this information, the power station operation can be perfectly coordinated and the electricity network economically operated – through optimal load distribution. As well as updating the mains technology, MEW's communications transmission network in Kuwait will also be upgraded and modified.

Example of synergy in telephone billing

Bangkok: Hot billing a hit at the Telephone Organisation of Thailand.

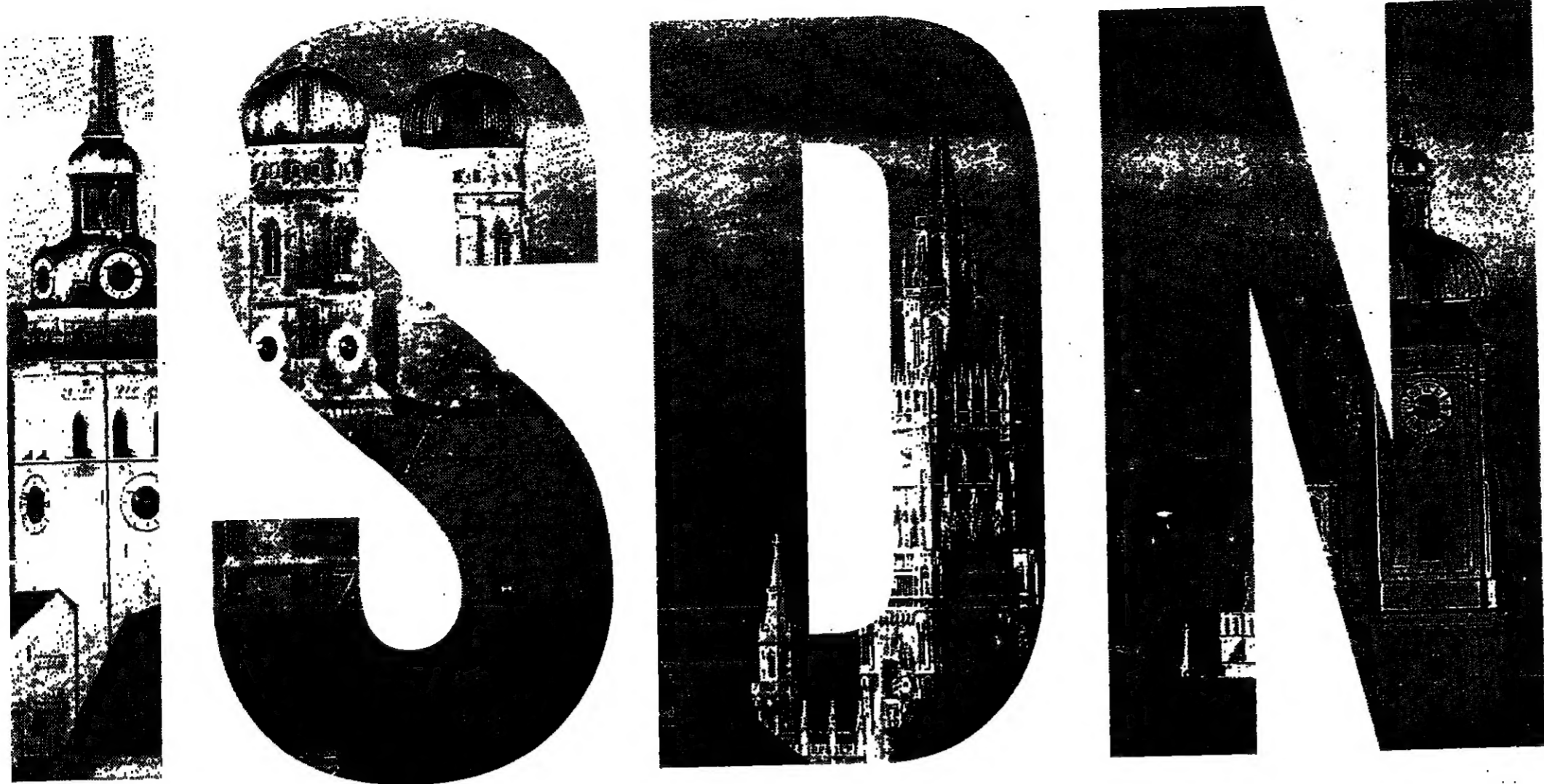
To ensure first-class service to its customers, the Telephone Organisation of Thailand (TOT) has decided to utilize "Synergy at work", by combining the Siemens Digital Public Switching System EWSD with a SINIX® computer with RISC-architecture from the Siemens Nixdorf Group. The company has installed Siemens' EWSD digital switching system which puts through several million phone calls every day, as well as recording charging units. "Synergy at work" then provides instant telephone billing at the company's branches, through direct connection of Siemens Nixdorf high-speed SINIX computers to the EWSD, and a link to the account printer at TOT branches. Via the EWSD system, the computer is immediately informed of the duration of a public telephone call made by a TOT client. It calculates the units and charges, and prints out the account in Thai script. The advantage for the client is that it is no longer necessary to wait for the clerk on duty to read the charge meter, look in the rate list and calculate the charge. Instead, the entire transaction ope-

rates in synergy between the EWSD system and the SINIX computer – from tariff determination right through to hot billing printout. The client then only has to go to the counter and pay, and retains the hot billing printout as a receipt.



SINIX® is the UNIX® operating system from Siemens Nixdorf.
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SIEMENS NIXDORF



Example of synergy in city administration Munich: Digital networks for closer links with the community.

Siemens and Siemens Nixdorf are bringing Munich's City Administration into the hi-tech age, using an integrated data and telecommunications solution. An ISDN digital telephone network will also provide the means for rapid handling of documents and information, using Siemens Hicom telephones with Siemens Nixdorf PCs and SINIX computers. The aim of this networking is to establish a modern client-server link connected to BS2000 mainframes. All PCs will run the

Siemens Nixdorf OCIS office solution, under the ComfoDesk graphical user interface. The result will be a complete solution linking 10,400 workstations on 250 sites into an in-house network. At the same time, the Administration's various offices, in many cases in buildings protected by preservation orders, will be spared costly cablework - ISDN provides rapid data transmission simply by using existing telephone lines. Text and graphics can be transferred within seconds. The system also takes care of time man-

agement: a central timetable stores appointment times for all parts of the Administration and facilitates the organisation of meetings. The rate at which enquiries are handled and tasks processed is markedly increased. Slow postal and internal deliveries are "out", with correspondence being sent by electronic mail via ISDN. This saves time and money, and draws the Munich City Administration much closer to the community it serves.

Example of synergy in freight logistics Bonn: Billion DM high-tech package for Deutsche Bundespost.

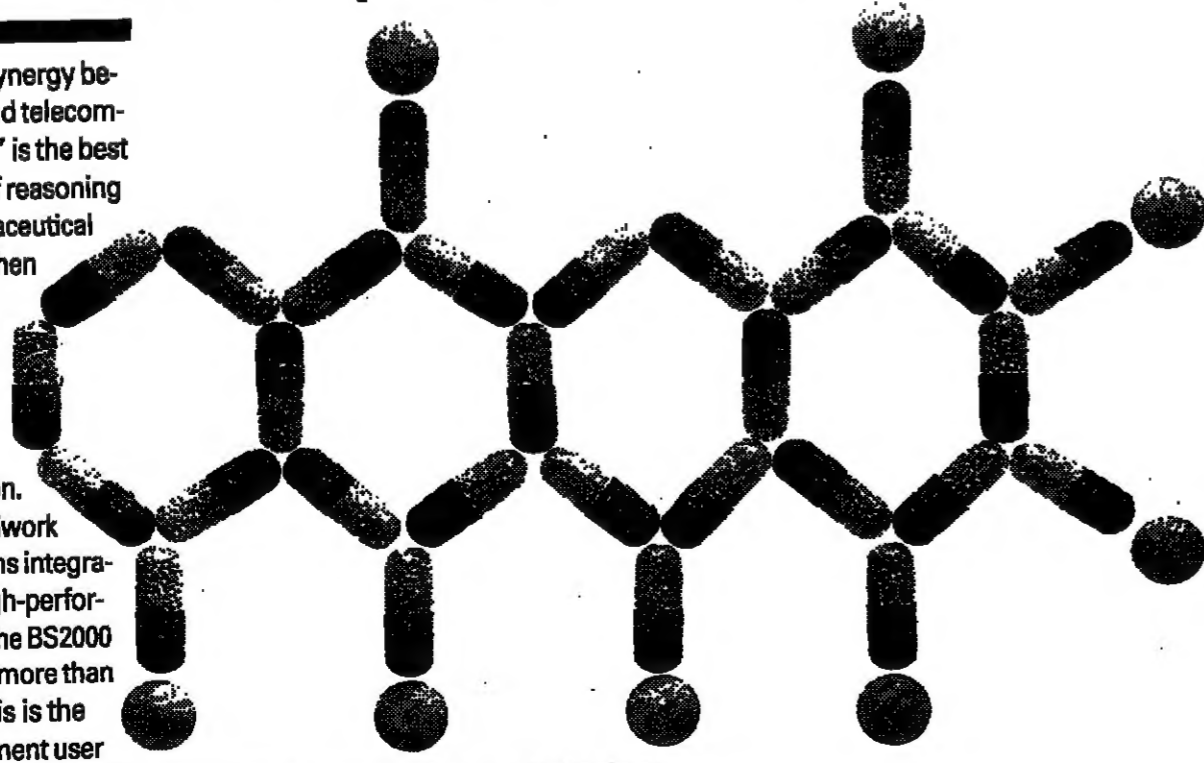


With 33 new parcel post centres throughout Germany, Deutsche Bundespost has adopted a forward-looking concept for freight movement: parcel delivery within 24 hours is to become the standard. The Automation Division of Siemens AG is the main contractor for all the operational management technology at the parcel post centres. Under a 1.2 billion DM high-tech package, Siemens AG will provide the sorting and distribution systems and the automation technology, calling on Siemens Nixdorf for computer technology. The extent of this project can be seen at the first parcel post centre at Hagen-Fley. A Siemens Nixdorf MX300 coding host computer with specially developed software and connected PC coding workstations is used to ensure correct distribution of the parcels. Each parcel is marked with a barcode bearing all the information on its destination and route. A barcode reader connected to a Siemens SIMATIC control system reads

the barcodes and manages the sorting and distribution of the parcels via conveyor belts, tip-trays and chutes, until they leave the parcel post centre. This is done with such precision that up to 250,000 parcels per day arrive at the right point of destination, for forwarding to delivery areas, delivery bases, or to another parcel post centre. The smooth running of the operation is monitored by a fully-integrated reporting system on a Siemens Nixdorf MX 300 computer. The computer collects and displays operational and fault data from all the connected systems, calculating and monitoring system availability levels. All the parcel post centres are scheduled for completion by 31 December 1994, creating a nationwide logistics system which will reduce the number of handling stages per package from up to nine at present, to only two. Later a tracking and tracing system will be introduced to provide a comprehensive parcel follow-up service.

Example of synergy in pharmaceuticals Ulm: "ICCS" Merckle-ratiopharm's new success formula.

When you're dealing with the synergy between data communications and telecommunications, "Synergy at work" is the best prescription. This was the line of reasoning followed by the German pharmaceutical company Merckle-ratiopharm when it commissioned Siemens and Siemens Nixdorf. The company wanted a completely new network infrastructure to optimise the flow of management, production and logistics information. Siemens Nixdorf did the groundwork - as main contractor and systems integrator. The company installed a high-performance H90 host running under the BS2000 operating system and linked to more than 300 workstations. Added to this is the R/2 modular business management user software from SAP AG, Siemens Nixdorf's partner - with modules ranging from financial accounting to material control. The first joint project with Siemens was warehouse control. For this operation, Siemens' MOLAX modular stores management system was installed on Siemens Nixdorf SINIX open systems computers. Integrated with R/2, MOLAX gives Merckle-ratiopharm rapid goods distribution and control for the 30,000 pallet spaces available. To link the most



modern telecommunications technology into the data network, Siemens AG installed a comprehensive network: the "Integrated Communications Cabling System" (ICCS), which operates over open industry and standard interfaces, integrating available installations and reducing cable quantity to a minimum. The result is that all the firm's factories can easily communicate with each other, computer to computer or telephone to computer. All via a single communications port.

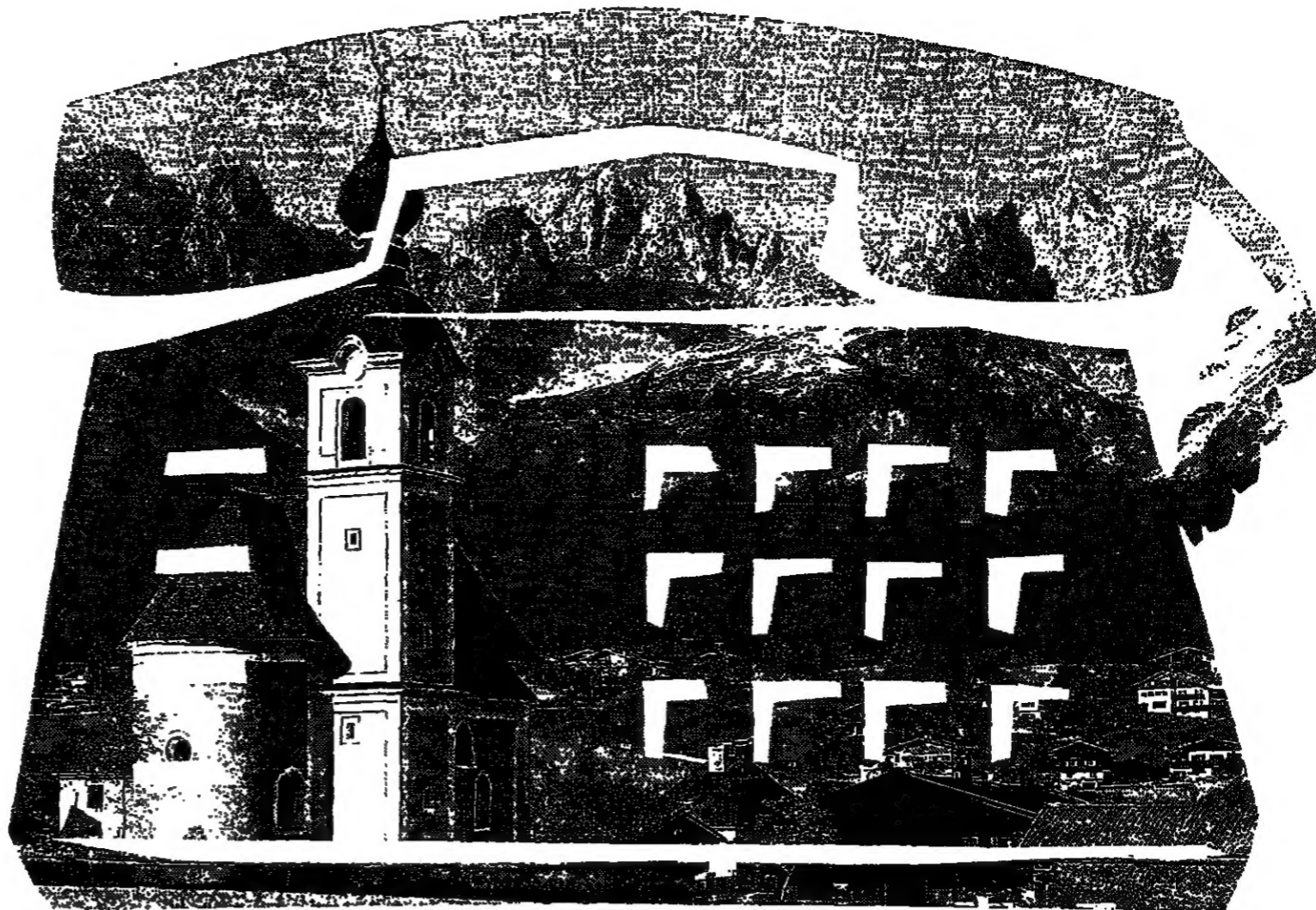
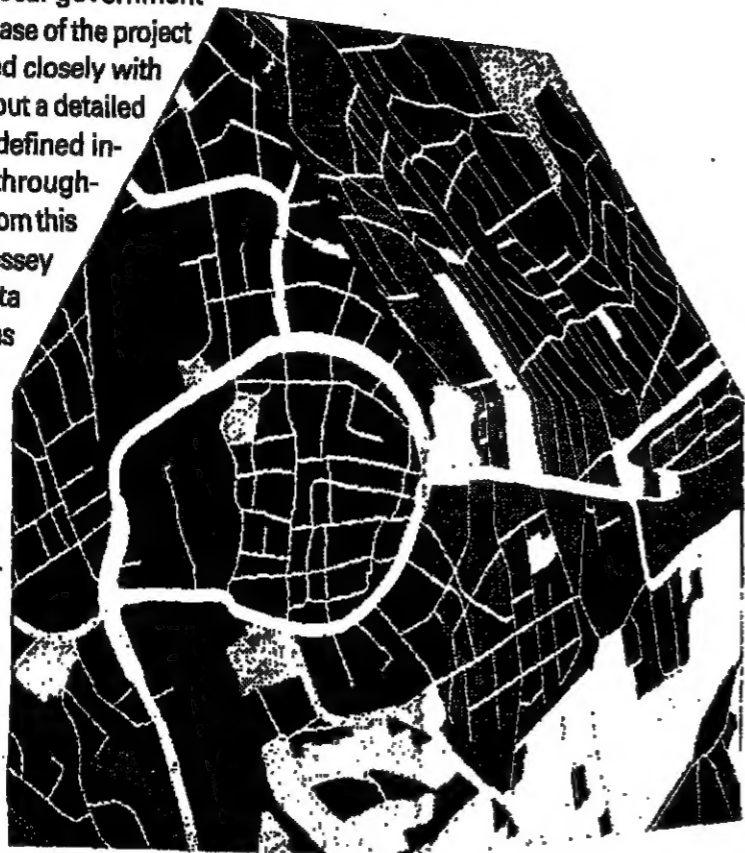
Horsham town plan system.

Handwritten signature or stamp at the bottom of the page.

Example of synergy in public administration

Horsham District Council bases town planning on a geo-information system.

Horsham is located just 40 kilometres from London and has to cope with the challenges of being a successful and growing town close to a metropolis. To deal with the constantly changing needs in housing and business re-developments, Horsham District Council has implemented one of the UK's most ambitious local government IT projects. In the first phase of the project Siemens Plessey worked closely with the Council and carried out a detailed employee survey that defined information "workflow" throughout the organisation. From this information Siemens Plessey created a corporate data model (CDM), which was used to develop a blueprint for the efficient running of the Council and to inform future IT implementations. In the second phase of the project Siemens Nixdorf used the CDM information to advise its installation of an advanced geo-information system in the Council's planning department. SICAD was implemented on a mainframe as well as on four UNIX® and three PC workstations. Around 700 Ordnance Survey maps for the Horsham region were fed into the system. A further 300 sets of maps on statutory building restriction building records were also added. SICAD will soon also be accessible on an existing property, geographical and historical databank, and via a registration system. With this databank, Horsham's council personnel can respond quickly and in detail to enquiries on building approvals, for example when they deal with environmental, legal or historical enquiries. For this, SICAD data will be retrieved via networked computers and assembled in the appropriate format. The information is then transmitted back and forth between the appropriate departments – without the need to struggle through a jungle of papers and maps, or having to spend hours searching through archive material. According to Martin Pearson, Horsham's Chief Executive Officer and prime initiator of the IT project: "With Siemens Nixdorf's geo-information system, we have access to a huge volume of information of benefit to all sectors of the community."



Example of synergy in telecommunications

Vienna: Austrian Post opts for the direct line between Siemens and Siemens Nixdorf.

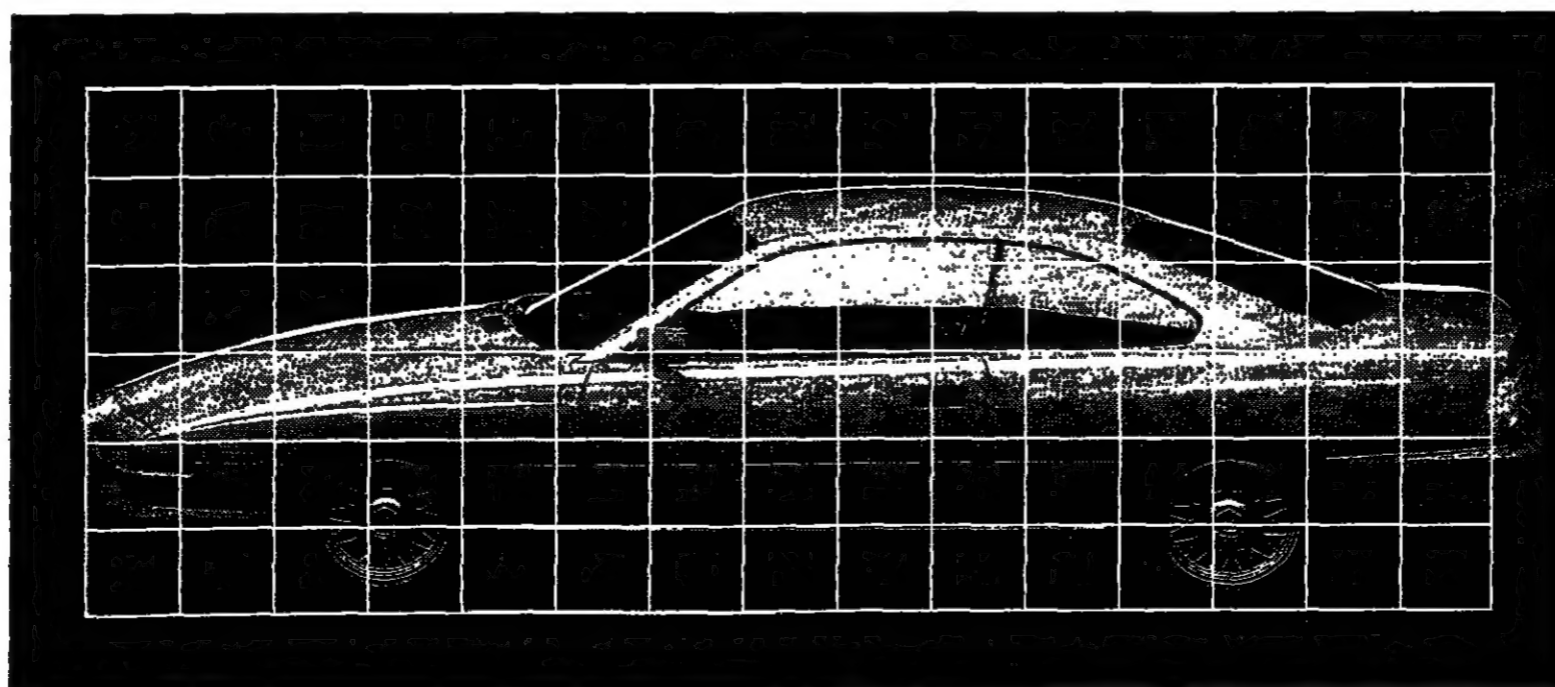
Digital telephone operation from Siemens - service, management and maintenance from Siemens Nixdorf: for the Austrian Post Office and Telegraph Administration (ÖPTV) this is the ideal combination to bring a new level of efficiency into telecommunications. The OES-E digital telephone network for most of Austria has been controlled by Siemens' EWSD system since 1985. Siemens Nixdorf now brings extra performance to its operational management. BS2000 computers with the TED subscriber and customer care database, and an extra processor for operation and maintenance of the EWSD system, are the heart of the newly establish-

ed, multi-functional operations offices. Connected to that are the workplaces and the telecommunications installations at the operations offices, Siemens EWSD systems in the exchanges, plus data connections to the ÖPTV computer centre. The synergy effect is demonstrated by employees in the operations offices being able to receive notification of faults in the telephone network via the Siemens Nixdorf and Siemens system connection, and to process them directly. The line operation, for example, can be checked from the BS2000 computer at the touch of a few keys. All the telephone subscribers can be managed via the data base. If, for example, a new connection is reque-

sted, the telephone number connection details are entered on the data base by the operator. The BS2000 computer then commands the EWSD system to make the line available. Charging details from the EWSD system are transferred to the BS2000 computer once a day and then conveyed in their processed form to the ÖPTV computer center for invoicing. As well as achieving new levels of cost effectiveness in network operation, ÖPTV, working with Siemens and Siemens Nixdorf, is setting new standards of technology for telecommunications in Europe.

Example of synergy in the automobile industry

Munich: "Synergy at work" running in top gear at BMW Customer Service.



Ever safer, ever more efficient, ever closer to perfection – but as sophisticated as today's automobile technology may be, its maintenance is placing ever greater demands on mechanics and their equipment. For example, for accurate diagnosis of faults within the complex control systems of BMWs, the standard workshop equipment has been inadequate to the task. So the Bavarian car manufacturer has ordered "Synergy at work", combining Siemens'

latest automation systems and Siemens Nixdorf's information technology for servicing the latest automobile technology. TESTER, the diagnostics system from Siemens, immediately pinpoints problem areas on the vehicle. TIS, Siemens Nixdorf's technical information system, provides efficient back-up for maintenance and service. As an electronic workshop manual using CD-ROM, TIS not only reduces the flood of paper to a minimum; it also provides BMW service technicians with all the information they need –

from details on the right tool for a particular job to a complete guide to repairs and installation. Both systems are combined in a comprehensive dealer information package with other Siemens Nixdorf components, such as the electronic parts catalogue and business management programs for processing orders and for job planning. "Synergy at work" is running in top gear at BMW, providing a highly organised and efficient customer service.

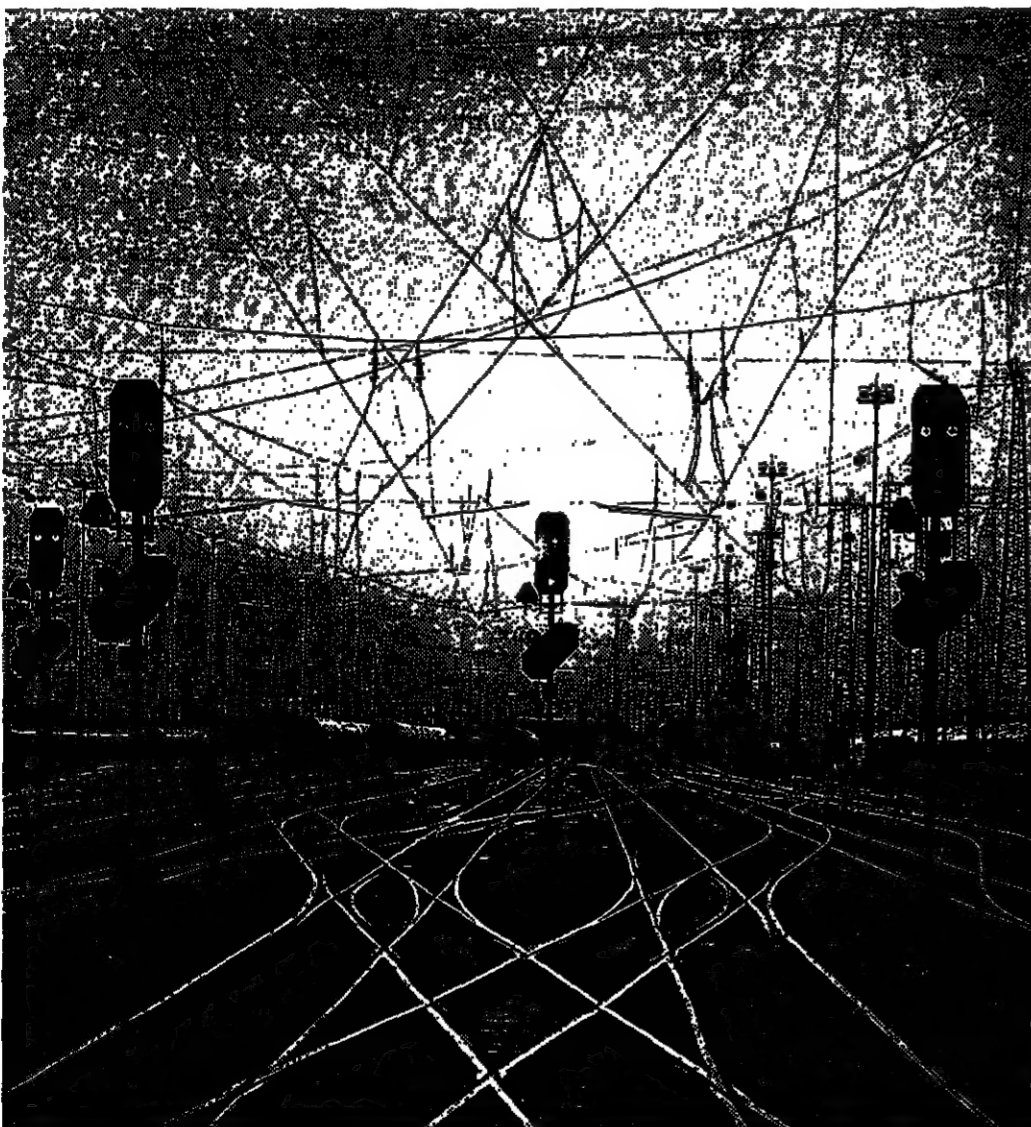
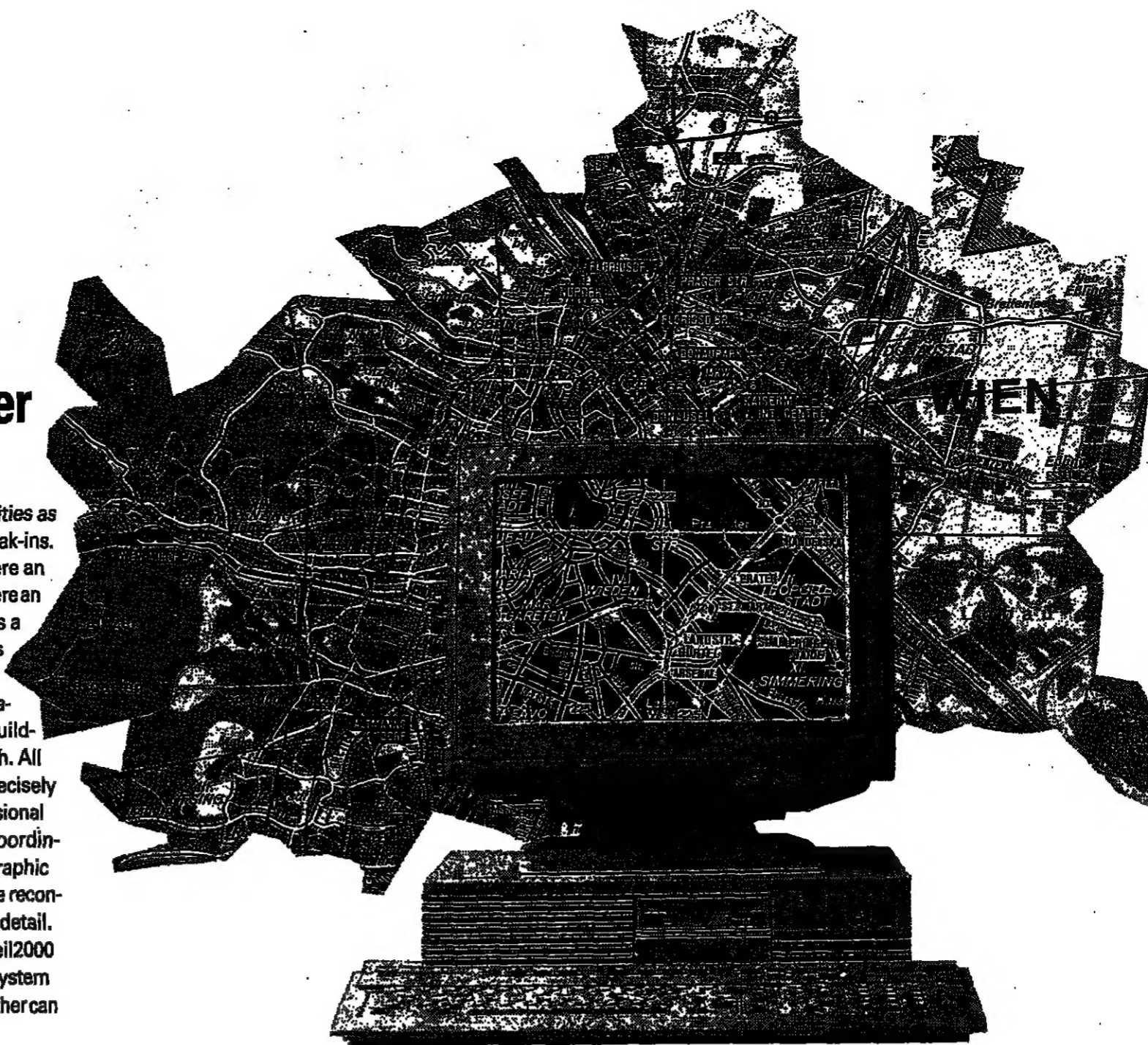
SIEMENS NIXDORF

Example of synergy in police operations

Vienna: Better informed and faster on the spot, using Pfeil2000.

In traffic accidents, break-ins and robberies, every second counts, and police operations must be perfectly planned. A technical fault or incorrect information supplied to those running the operation can result in a fiasco - and in extreme cases can even cost lives. So, after intensive evaluation of different systems, the Federal Ministry of the Interior ordered "Synergy at work" for the Vienna police force - to establish an integrated operations control system. The hardware and network technology for this system comes from Siemens Nixdorf, and the application comes from Siemens equipment technology. The result is Pfeil2000. The cornerstone of this solution is the Siemens Nixdorf C50-Servers, which are networked with PCs at the operations control headquarters - giving a client-server link which

monitors all communications facilities as well as reports of accidents and break-ins. Pfeil2000 knows straight away where an emergency call has come from or where an alarm button has been pressed. As a further expansion stage, a graphics system will be networked with Pfeil 2000 to aid the police in further operational planning: street maps and building plans will be displayed in a flash. All available resources will then be precisely located and depicted in three-dimensional form via an integrated system of coordinates. Pfeil2000 also records all telegraphic data - so later on the operation can be reconstructed, right down to the smallest detail. The client-server architecture of Pfeil2000 additionally guarantees maximum system availability: if one computer fails, another can immediately take over.



Example of synergy in traffic engineering

Munich: Management system signals the way ahead for Munich North shunting yards.

Siemens and Siemens Nixdorf are looking to put German railways on the right track into the next millennium, with the introduction at Munich North shunting yards of what this forward-looking company eventually plans to implement over the entire rail network: "Computer Integrated Railroading", or the control and monitoring of rail traffic with up-to-the-minute computer technology. As part of the TS '90 transport control system, Siemens Nixdorf has assembled a powerful management system consisting of two H60 processing computers running on the BS2000 operating system, networked workplace servers and portable mini-computers for mobile data acquisition in

dialogue mode by radio. Linked with two H60 computers in the Deutsche Bundesbahn computing centre in Frankfurt, these form a powerful systems configuration for rapid and reliable cargo dispatch and freight monitoring of travelling and stationary rolling stock. Which train is arriving from where, at what time and with which wagons? When the train arrives, which wagons need to be put together to form new trains? Thanks to the latest computer technology from Siemens Nixdorf, railway dispatchers have immediate access to this information. All other aspects are managed by "Synergy at work". For completion of shunting operations, information is sent to the Siemens MSR32 process control system, which

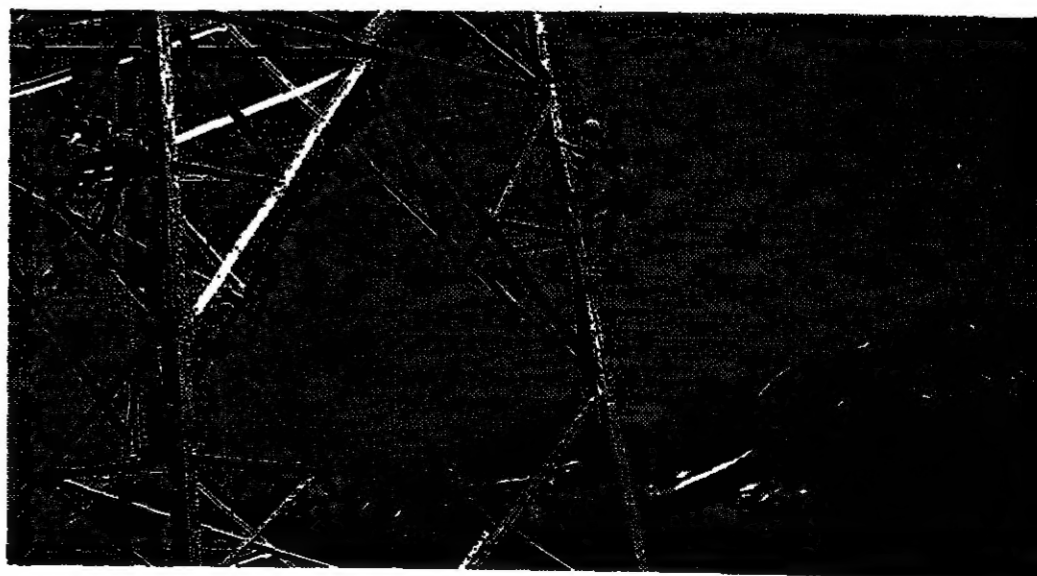
works with an electronic interlocking unit to control and monitor the remote radio-controlled hump locomotive, clasp retarder, propelling system, signals and points. Trains are dismantled and reformed completely automatically. The automated system operating in Munich is setting the trend for the rest of Germany - and Europe. In-house operations are optimised, shunting operations are controlled effectively, and every link in the logistics information chain from consignor to consignee is covered by continuous monitoring. This means that better use can be made of rail transport capacity, moving German railways one step closer to the goal of "Computer Integrated Railroading" nationwide.

Example of synergy in power supply

Maria Enzersdorf: Lower Austria Energy Authority plugs in to "Synergy at work".

As a major regional electricity supplier, the Lower Austria Energy Authority (EVN) must organize power distribution with maximum economic efficiency and reliability. This is why EVN is now calling on the services of Siemens Nixdorf, as well as Siemens AG. Siemens Nixdorf's SICAD geographical information system will be used to manage the operation controlled at regional network centres by the SOSYNAUT Siemens software package (in the 100 kV network) and the Siemens SINAUT Spectrum EDP system (in the 20 kV network). These supply power to 670,000 standard charge clients and 3000 special users. The first step has been installation of detailed monitor displays for computers at regional network centres, replacing the previous, oversimplified picture of the supply area. Major changes - for instance, to switching configurations - involved a labo-

rious procedure of moving pins around a chart. Now SICAD helps to update the current status, digitise the information and read it into the regional network centre system. EVN is planning to integrate SICAD and the regional network centre computers even more closely. The synergy will lie in changes to switching configurations, for example, being implemented directly in the SICAD system, and then being passed on automatically to the computers at regional network centres. The data exchange between the two systems will also enable network calculations to be performed in the SICAD system, and provide all the information required for economically efficient and reliable network operation - from load distribution and forecasting preventive maintenance, right through to power consumption and fault statistics.



For further information, please contact:
Siemens Nixdorf Informationssysteme AG,
UK 41, Otto-Hahn-Ring 6, D-81739 München

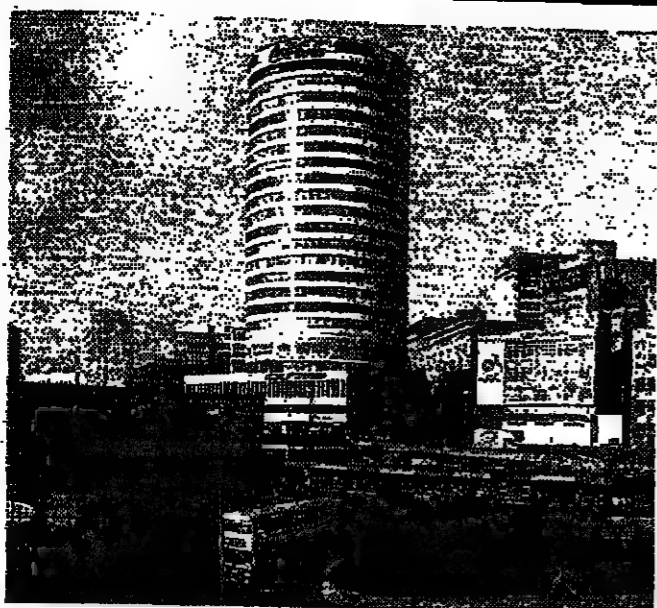
Synergy at work

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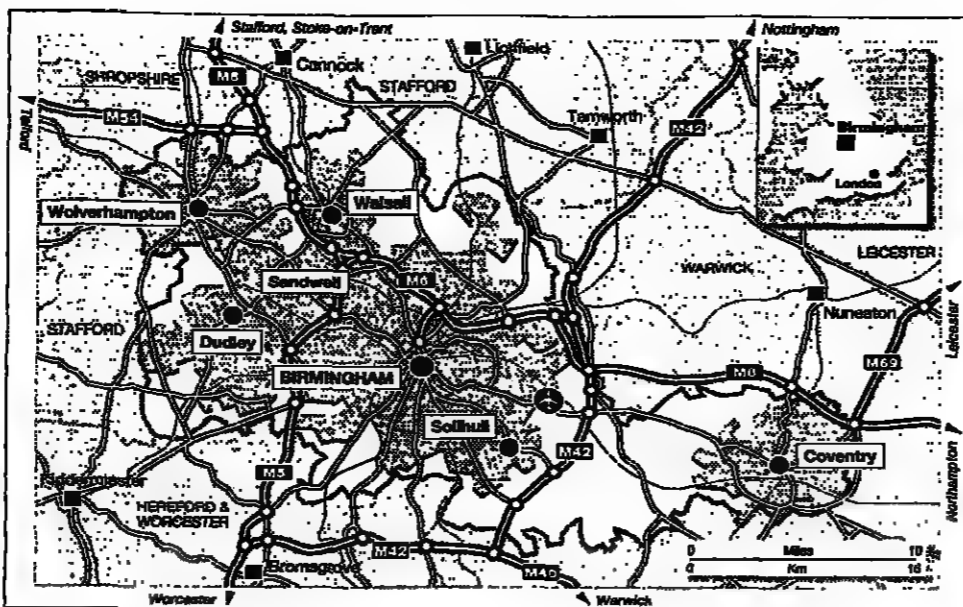
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BIRMINGHAM AND WEST MIDLANDS

Wednesday July 14 1993



Redevelopment: Birmingham's Bullring is to be rebuilt. Picture: Trevor Humphries



Relocation: Arlington's Birmingham Business Park, showing the Parkside phase

Recession: the abandoned site of a former steel foundry on the outskirts of Walsall

THE fundamental question about the West Midlands is not whether the regional economy will revive after recession. That revival, in erratic fashion, has started. Rather the question is whether the second recession in 15 years has pushed the economy towards atrophy.

The difficulties of recent years, coincident with changes in government policy, the closer integration of the European Community economies and growing social pressures, especially in the urban areas, accentuate undercurrents of concern about the longer term future.

The immediate prospects are for modest growth. In broad terms, the flow of orders began to revive in the early months of the year; business confidence has risen to the highest levels for three years in expectation that the pressures on profitability will be relieved.

But at the same time, the downturn in the European economies has blunted the thrust of recovery which, in any case, was off a low base. Three quarters of companies are working under full capacity, according to the latest calculations of forecasters at the Confederation of British Industry and Business Strategies.

Economists, then, are cautious about regional growth.

Step by cautious step to recovery

The region is reviving, with its industrial competitiveness enhanced by devaluation. The services sector has suffered a shake-out, but growth is expected to resume. **Paul Cheeseright reports**

"At the start of the year I forecast 1.5 per cent for 1993," says Mr Martin Booth, chief economist at the West Midlands Enterprise Board. "I think I want to tone that down slightly now, but I can see stronger growth next year unless the recovery is choked off." By stronger growth, he means more than 2.0 per cent.

Mr David Kern, the chief economist at National Westminster Bank, predicts in his mid-1993 forecast a 1.5 per cent growth for this year and 2.3 per cent for 1994. So he is slightly more optimistic than Mr Booth.

Any sustained national rise in consumer and investment spending would translate fairly quickly into a flow of orders for the engineering industry of the region and hence into the wider economy. Manufacturing remains the economic staple.

This is both a strength and a weakness. Although the West Midlands is traditionally the manufacturing heart of the UK, manufacturing as a source of employment has declined, and is likely to continue to decline. The growth of employment in the services sector, until checked by the

latest recession, was slower in the West Midlands than elsewhere in the UK.

Considering the region as a source of wealth, however, the future may be brighter than the employment prospects suggest.

The UK government has recently switched its rhetoric to stress the importance of manufacturing - after a decade of verbal indifference. Government tax policy has latterly followed lines approved by, for example, the regional Engineering Employers Federation.

Whether there exists the ability to take advantage of this new place in the political and economic sun is the wider question.

It bears on the suggestion of economic atrophy. Geographically the region has no particular advantage: it may be at the centre of the UK, but it is on the periphery of that of European vigour stretching from northern Italy, through

Germany and France, to London.

Yet the pattern of the region's overseas trade is now firmly cast towards continental Europe. It is in the European arena, the more closely integrated EC market, that its competitive future will evolve. This is what worries the West Midlands Regional Forum of Local Authorities (whose collective voice is more sober than the "boosterism" of its individual members).

Noting that, as a traditional industrial region, the West Midlands is expected "to have above average vulnerability" to competition from within the EC, while remaining highly dependent on exports to other members of the EC, the Forum is anxious about the ability to compete. "By the year 2000, it has been estimated that 70 per cent of all European jobs will require brain rather than manual skills, yet levels of academic and skill attainment are

relatively low in the West Midlands. Of particular concern is that several of the older manufacturing areas appear to lack access to the higher level skills required for the modernisation of the region's industries," the Forum says.

In fact, skills shortages never wholly disappeared - even during the recession - and there have been indications in recent surveys that skills shortages have begun to return as the economy revives. Corporate training budgets were frequently pruned during the recession. The training and enterprise councils which now stimulate and oversee much of the industrial training are too recent to have made a lasting impact.

There is also a social element to the question. In general, the areas which need the jobs most, because of their high unemployment, are the areas where employment

opportunities have diminished. The wards with highest unemployment are those of the inner cities. But the Birmingham City Council economic development department has drawn attention to the way in which job opportunities declined in the inner city, while increasing in the outer.

Between 1984 and 1991 total employment in the Birmingham outer city grew 4.2 per cent, but declined in the inner city by 7.4 per cent, largely because of the scale of change in the motor vehicle industry.

Planning policy and official funding is directed towards redressing that balance throughout the Birmingham-Black Country conurbation. The effort is to renew tired and derelict inner city areas so that more employment opportunities will emerge and more people will be trained to take advantage of them.

Hence the existence of two urban development corpora-

tions, in the Black Country and east Birmingham, and four City Challenge areas in Birmingham, Sandwell, Walsall and Wolverhampton.

Hence the appeals to government to retain assisted area status, able to receive regional and industrial development subsidies. Hence, by contrast, the fervent publicity, asserting how marvellous is the region and the cities in it.

Yet the pressures for development on the green belt, the steady flow of tenants into business parks on the edge of the conurbation and the movement of companies to greenfield sites, in areas such as Telford, testify to a drift of corporate activity away from the inner city areas of the region, rather than towards it.

Working through this mix of overlapping problems - inherent skills shortages and a lack of jobs where jobs are needed most - will be of the first importance to the development of the region into the next century.

But if their solution is at least partially dependent on the level of economic activity, there are encouraging factors. ● The competitive position of

Industry changed between the recessions of the 1980s and the 1990s. Generally it is now more productive, more export-oriented - at least among the large and medium-sized groups.

● There has been a widening of the economic base in two senses: an influx of overseas investment has stimulated the regional economy, not only through its demands for local goods and services, but also through its spread of diverse management techniques; and at the same time there has been growth in the services sector.

This throws up two caveats: if overseas industry has been attracted mostly because of low domestic costs, then it can disappear as quickly as it came, while the expansion of the services sector is largely an expansion of the low wage economy.

The third encouraging factor is the developing links between the universities - Aston, Birmingham, Coventry, Warwick, Wolverhampton and the rest - and industrial groups. Co-operation of this kind will stimulate the movement of companies towards higher technology and new products, bringing into play different disciplines and harnessing wider ranges of skills. Here the future of the region rests.

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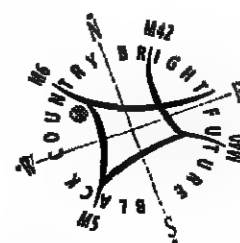
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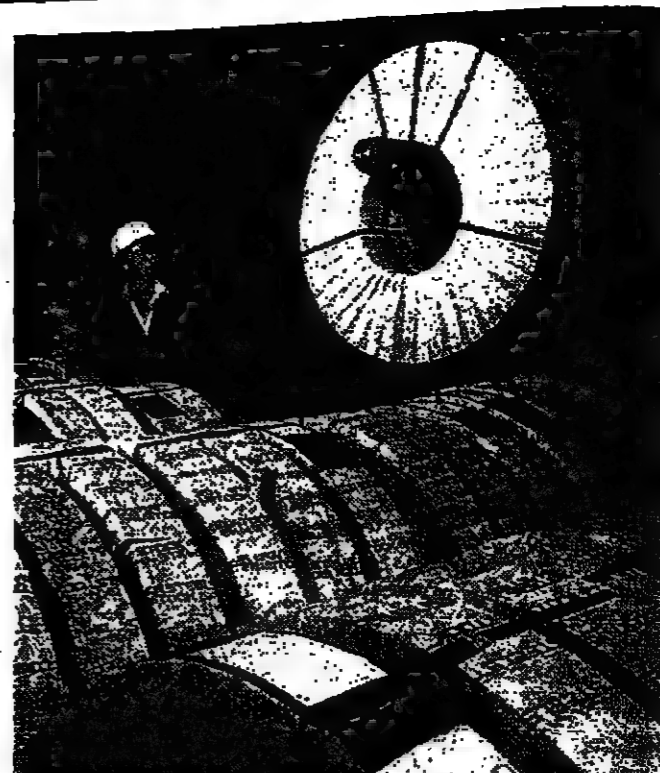
BIRMINGHAM AND WEST MIDLANDS 2



Cannon Industries in Wolverhampton



The closed GQI motor body press factory in Edgware, Wolverhampton



Six coils of steel in transit from stock

Paul Cheeseright finds manufacturing industry beginning to pull out of the second recession in 10 years

Quite a lot of catching up to do

INDUSTRIAL groups in the region mostly show improved profits, as the economy starts its move out of recession. But the higher level of earnings usually owes more to the cost savings brought about by retrenchment and higher productivity than to recovery of demand.

In short, manufacturing in the West Midlands is emerging from its second bout of severe surgery in 10 years. The recession of the early 1980s set off a slimming-down process, as companies came to terms with bloated costs and began to change their market positions. Manufacturing employment continued to decline even when the national economy was at its strongest during the second half of the 1980s. The 1990s recession accelerated an already established trend.

Cambridge Econometrics, consultants, calculated a 19.2 per cent fall in manufacturing employment in the West Midlands between 1990 and 1993 and forecast a further decline of 6.2 per cent - 35,000 jobs - between 1993 and 2000. But such forecasts do not imply any diminution in the importance of manufacturing to the regional economy. Indeed, technological change and increased investment, leading to higher output, generally need fewer people to do the work. In any case, manu-

| WEST MIDLANDS MANUFACTURING: A regional perspective | | | | |
|---|------|----------------|------|----------------|
| | 1990 | % of UK output | 1990 | % of UK output |
| All manufacturing | 1.3 | 11.2 | 1.5 | 11.8 |
| - Motor vehicle and parts | 2.9 | 26.2 | 3.4 | 30.5 |
| - Mechanical engineering | 1.4 | 11.6 | 1.7 | 14.0 |
| - Other metal goods | 3.7 | 31.6 | 3.4 | 26.5 |
| - Metal manufacture | 2.3 | 19.0 | 2.2 | 16.7 |
| - Manufacture (Non metal minerals) | 2.5 | 16.5 | 2.8 | 19.1 |

Source: Albert E. Sharp (Location quotient: UK quarter-Only)

SEASONALLY ADJUSTED UNEMPLOYMENT IN THE WEST MIDLANDS AND UK IN MAY 1993

| | Male | % | Female | % | Total | % |
|---------------|-----------|------|---------|-----|-----------|------|
| West Midlands | 216,500 | 14.5 | 65,900 | 6.2 | 282,400 | 11.1 |
| UK | 2,238,900 | 14.0 | 674,900 | 5.6 | 2,913,800 | 10.4 |

Source: WMSR Labour Market Bulletin

facturing still accounts for 33.1 per cent of regional gross domestic product, against a national average of about 25 per cent; and for 29.1 per cent of total employment.

The accompanying table demonstrates that the West Midlands' traditional role as the industrial heart of the UK has not been eroded by the economic difficulties since 1980. According to the Confederation of British Industry, the most important sectors in terms of output are electrical engineering, motor vehicles and mechanical engineering.

But the regional figures disguise the signal importance to particular localities of particu-

lar industries: ceramics to Stoke-on-Trent; crystal to the Brierley Hill area of the Black Country; electronics - latterly - to Telford; leather to Walsall. Notwithstanding such specialised interests, there have been significant changes in the industrial structure.

"Figures for the last decade show a shift of emphasis away from metal manufacturing and other metal goods to motor vehicles and mechanical engineering. Such movement towards higher value-added industries should provide potential for future growth and prosperity in the region," says Albert E. Sharp, stockbrokers. An example of this was the

disappearance of basic steel-making from the region on the one hand, and the gathering power of the automotive components sector on the other.

But the immediate market prospects for realising this potential are not encouraging. During the 1980s, the large and medium-sized engineering groups, especially, built up positions in continental European markets to such a successful extent that they were protected from the first impact of the domestic recession.

The latest surveys of both

the Engineering Employers' Federation West Midlands, and the regional group of the Chambers of Commerce, showed that increased demand for manufactured exports, apparent in the first quarter of the year, had flattened out in the second quarter.

While the devaluation of sterling offered Midlands manufacturers an immediate competitive stimulus, the effect was limited.

First, the downturn in continental European markets, especially Germany, reduced demand. Second, European customers generally demanded a share of the margin gain which the devaluation offered exporters. Third, the combination of these two factors increased pressure on export prices, rather than relieved it. Fourth, there is now some evidence that imported material costs are rising.

All this has meant that the movement towards recovery

has been slow, and is likely to remain dependent - at least for the rest of this year - on the Far East and dollar markets and on the domestic market. Both survey and corporate reports suggest that there has been recovery in both these market sectors.

Corporate fortunes are unlikely to improve dramatically except when cost reductions flow through. All the available measurements point to industry working well beneath capacity. The chambers of commerce report that only 14 per cent of manufacturing companies are working at full capacity - 43 per cent are under 80 per cent capacity.

Given, too, that the recession has led to reduced investment, there is bound to be some catching up to do before the full potential of higher value-added manufacturing can be realised. The opportunity is available. The arrival of Honda, Nissan and Toyota has

increased UK car-making capacity and offered new markets to the component makers.

The prosperity of the component companies causes ripples through the Midlands. But their prosperity will not be easily gained. The motor manufacturers have been seeking both to reduce the number of their suppliers and to change their relationship with them, thrusting out research and development. So the component makers are in some turmoil, even as their markets appear to widen. Not only that. With the downturn in continental European car markets, and the truck market in the doldrums, domestic motor manufacturers - Ford, Rover, Vauxhall - have been bearing down on suppliers, demanding price cuts.

However, the pressure to manufacture at low prices has drawn the German motor manufacturers such as Mercedes-Benz, Volkswagen and BMW to

start buying more of their components in the UK, again widening the potential market for Midlands manufacturers.

Against the offsetting factors, confidence in the manufacturing sector has risen. More companies are confident about future trends of turnover and profitability than for the last three years. But the striking point about recent business surveys is that confidence is related to future rather than actual performance.

Once recovery takes hold, manufacturers will have to contend with skill shortages. Price Waterhouse, in association with the Warwick and Wolverhampton Business Schools, has already detected the first signs, warning that "a real skills shortfall could be in prospect when the recession ends finally, and it could have a serious impact on our competitiveness. Lack of fundamental reskilling policy during the recession will be to blame."

Business is picking up in the financial sector

Regional effort works

office automation through the use of computers and so on) which are rushing through the financial services sector.

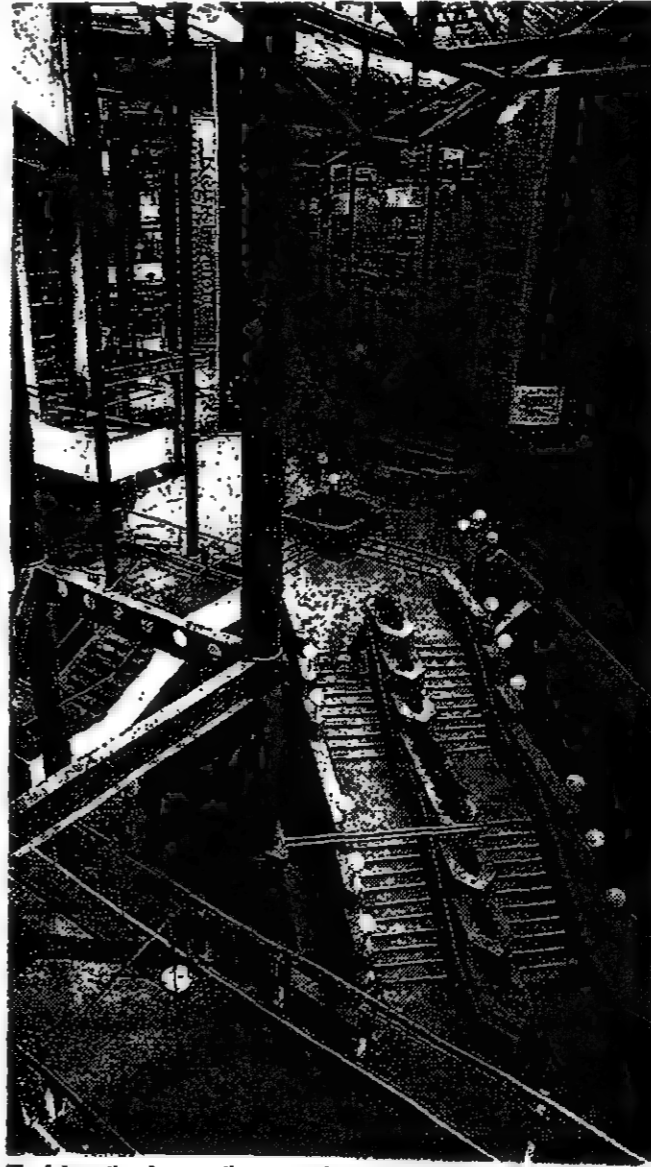
Between 1981 and 1991, according to analysts by Birmingham City Council's economic development department, "financial and professional services expanded employment by more than a third, creating an additional 16,000 opportunities in the city. However, even this rate of job growth was significantly lower than the more than 50 per cent growth experienced both regionally and nationally."

This increase - to 32,650 jobs, 13.5 per cent of jobs in the city - made the financial and professional sector the single most important source of private sector jobs in Birmingham - the region's dominant services centre.

Whether the recession has weakened the strength of this centre is not clear. To be sure, expansion stopped and the number employed declined to 59,300 last year, but the number of lay-offs in the legal profession, for example, was tiny compared with what has happened in London law firms.

Within the sector there have been changes. Although there is the full range of clearing banks (together with their subsidiary companies in areas such as lease finance, acting under separate names), more than 20 overseas banks, building societies and insurance companies, the specialist activity of merchant banking has declined.

Although groups independent of the clearing banks, such as Singer & Friedlander, remain, Kleinwort Benson and Barclays de Zoete Wedd have withdrawn. This has left gaps in the market which the accountants have been keen to fill - as in the Leyland Daf management buyout arrangements - trading on their easy accessibility, extensive networks and, increasingly, a willingness to negotiate smaller deals.



The International convention centre in Birmingham's Broad Street

But if the choice of companies to negotiate deals and offer financial advice has declined, there is no shortage of institutions willing to advance equity funding in sums over £50,000. The regional office of the department of trade and industry, seeking to compile a register of finance sources, found more

than 40 of them. More generally, it is agreed in the business community that there is no shortage of money available.

The key question is the conditions under which it will be advanced - given that the clearing banks have adopted very cautious lending policies. In present economic circum-

stances this bears down critically on the smaller businesses whose lack of physical assets causes the clearing banks to exercise even greater caution.

As the debate about funding a way out of recession has continued, attention has increasingly been paid to devising financial mechanisms for aiding small companies with soft loans, for addressing financial problems where £5000, not £50,000, is the difference between survival and expiry. Thus the Walsall Enterprise Agency, backed by a finance house, is setting up a loan fund, modelled on the earlier experience of Sandwell, and Birmingham Settlement, a voluntary group, is planning a community investment bank.

It is difficult, however, to measure the significance of Birmingham as a financial centre. While the city is the hub of the region, it is not automatic that businesses in Coventry or Stoke-on-Trent will look to Birmingham for services - as opposed to, respectively, London or Manchester. This uncertainty about its own position pushes the Birmingham financial community, out of self-interest, to support the city council's attempts to make Birmingham a cultural centre and to make the centre of the city more welcoming.

There are local claims that Birmingham is the UK's second largest centre for financial services - a claim that is repeated in half a dozen other cities. It has its strengths as a regional centre (as Manchester Business School established in a 1981 study; for example, in corporate stockbroking through Albert E. Sharp, Smith Keen Cutler and Sharelink, and in the provision of legal services through partnerships such as Eversheds, Edge & Ellison, Wragge and Pinner).

Manchester Business School makes the point that the Big Six accountancy practices employed more people in Birmingham than in any other regional centre, but concluded that "Manchester is the biggest regional centre in terms of overall employment in banking, finance, insurance, business services and leasing."

Paul Cheeseright

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BIRMINGHAM AND WEST MIDLANDS 3

Stewart Dalby investigates a skills problem

Need to train more precisely on target

THE West Midlands region is typical of the skills mismatch which bedevils much of Britain. Even in recession, companies report difficulties in acquiring the skilled labour they need.

Sandwell demonstrates the problem. In this urban district in the Black Country, 45 per cent of the workforce is employed in manufacturing. Ethnic minorities account for 25 per cent of the population.

Mr John Beddingfield, chief executive of the Sandwell Training & Enterprise Council (TEC), says that companies tell him they need to find skilled labour - yet 20,000 people, 17 per cent of the workforce, are without jobs.

Asked how many of these would be unemployable even in a buoyant economic climate, Mr Beddingfield replies that it is impossible to say. "I'd like to think that no-one, or at least very few people are unemployable. But it is important to establish where education ends and training begins. Some young people in the area have low education attainments and aspirations. It is a question of teaching them interview techniques, showing them how to make out a curriculum vitae, motivating people who have never had jobs. Only then can you think about specific vocational training."

Youth training is either through an approved training provider or a job

Sandwell TEC is tackling training through two programmes it inherited from the government's training agency: the youth training programme, and employment training for adult long-term unemployed.

Youth training includes a system for the financial support of young people of 18 and 17 upwards. The programme gives them training over two years, either through an approved training provider, or (ideally) a job. The hope is that the trainee will achieve a national vocational qualification.

For adult returners the period of training is usually shorter, up to six months. There are about 3,000 people on the two schemes.

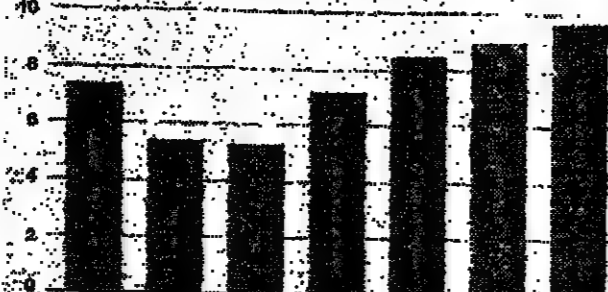
Over 80 per cent of Sandwell TEC's budget of £11.5m is allocated to these two projects. But there are many other schemes - Investors in People, for example, in which companies make a public commitment to develop their employees to achieve business objectives, and give counselling in schools.

Mr Beddingfield says: "More precise targeting is the key to training: we are in close touch with 70 companies and try to match training to their needs."

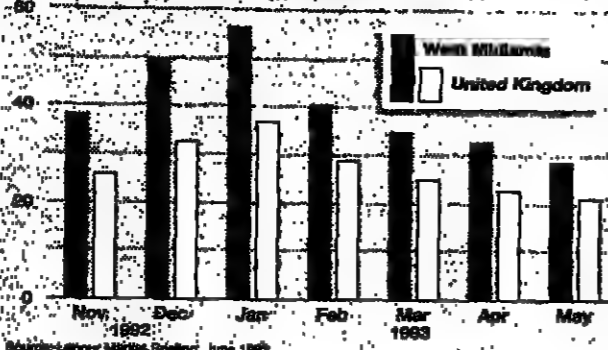
Sandwell is one of 10 TECs in the West Midlands; the biggest is Birmingham TEC, which has a £50m budget from the government. The Birmingham TEC, like the others, was set up (in 1990) to manage and develop the Department of Employment's training programmes for young people and adults and to support new and

Vacancies

at West Midlands 350 centres and careers offices (thousands)



Unemployment to vacancy ratios



developing businesses. The TEC has refined the youth training programme into a system of credits. A printed voucher is issued to a young person, enabling him or her to pay for up to 104 weeks of training. Vouchers can only be cashed with an employer or training provider approved by the TEC.

The Employment Training (ET) programme has been renamed Training for Work; an initiative aimed at the adult long-term unemployed. Those eligible must be between 18 and 60 and unemployed for 6 months, but the programme also includes people with disabilities; ex-regular members of the armed forces; people whose first language is not English; people requiring literacy and numeracy training; returners to the labour market and victims of large scale redundancies.

Training for Work enables older people to get vocational qualifications

The TEC claims that this broader scheme is better than the old ET because it stops "skills leakage" - that is, people who, made redundant, then join the long term unemployed. It also enables older people, not merely school leavers, to acquire vocational qualifications. Training for Work provides intensive vocational training (usually up to 34 weeks) aimed at achieving a national vocational qualification (NVQ).

Birmingham TEC has 4,600 on its youth credits training scheme and between 8,000 and 9,000 on Training for Work. It claims that both are successful. In 1990-91, 1022 participants achieved an NVQ at level 2. In the following year the figure had more than doubled to 2443.

Birmingham TEC believes that it is well on the way to meeting national education and training targets: 80 per cent of young people to have a

NVQ to level 2 by 1997; 50 per cent of young people to reach NVQ level 3 or equivalent by 2000. (NVQ level 2 is equivalent to four GCSEs; level 3 to two A-levels.)

The TEC likes to feel it is doing much more than simply continuing the government's training programmes. Mr Larry Freeman, head of marketing services, says: "The government schemes we inherited are aimed at the unemployed. It is perfectly proper that we should try to reduce unemployment through training. But I believe we cannot have a real skills revolution in this country unless we combine these programmes with initiatives for the 80 per cent of the available workforce who are in jobs."

Mr Freeman feels it is especially important in an area such as the West Midlands, which depends on advanced manufacturing to do something for those with jobs. He says: "There is a need for employees in engineering and electronics continually to upgrade their skills."

Accordingly, the Birmingham TEC has introduced a number of programmes for those in work.

The Weekend College programme is thought to be unique to Birmingham. This gives vouchers, worth £80, to adults with no skills or low skills, enabling them to go to college for a certain number of weekends, to upgrade their skills or learn new ones.

More significantly, perhaps, Birmingham TEC has launched a Skills Investment Programme which brings together employers in eight different sectors of employment. Together with the TEC, employers research a sector's needs. Initiatives for employees - either on site, or elsewhere - follow.

Mr Freeman says: "These programmes make a start on what has become known as 'up-skilling'. But what is really needed is a national strategy to meet the changing needs of industries."

Unemployment statistics analysed

Some worrying trends

NOBODY is quite sure why there was a fourth successive monthly fall in the West Midlands unemployment figures in May. In fact - surprisingly, given the level of business - the employment position looked more cheerful than for over a year.

More cheerful, that is, because the unemployment position had ceased to deteriorate. Analysis by the West Midlands Enterprise Board shows that over the period between November 1992 and May 1993, unemployment across the region fell by 0.1 per cent.

At the same time there have been some more job opportunities. The rough measurement of the unemployment to vacancy ratio (reached by dividing the number of jobless by the number of job centres and careers office vacancies) fell to 2.9 in May from 32.7 in April. The national ratios were respectively 21.1 and 23.

The figures are surprising because, as Mr Martin Booth, the WMER's chief economist, says: "One would have expected a stronger output rise before unemployment declines." But he also notes that, traditionally, "the West Midlands goes deeper into recession than the national economy and, when it comes

out, it comes out faster than the national average."

The difficulty is that the overall figures contain some damaging trends. Not least among them is the high proportion of those who have been without jobs for more than a year and are thus classified as long term unemployed. This proportion has increased in regional terms to 38.5 per cent

Unemployment in the region during May was 282,300: 11.1 per cent

of the May 1993 total unemployed from 36 per cent in October 1992. The national average is 35.9 per cent.

Once the long term unemployed percentages are narrowed down, sharp differences emerge within the region. The area with the highest percentage is that of the old West Midlands county - the Birmingham-Black Country conurbation with Solihull and Coventry. Here the proportion is 43.3 per cent - compared with 29.8 per cent in Shropshire, lowest in the region.

A second series of damaging statistics comes from the absolute numbers when they are broken down to ward level.

Total unemployment in the region during May was 282,300, or 11.1 per cent, against a national average of 10.4 per cent.

But there are 12 wards in the conurbation - five in Birmingham, three in Wolverhampton, two in Coventry and one each in Sandwell and Walsall - where male unemployment rates run at more than 35 per cent. The main thing these wards have in common is that they are inner city areas.

Local authorities worry that there are enlarging communities which are moving outside the economic cycle: even when the economy recovers, the unemployment rate in the inner city wards will remain high. It is to these areas, of course, that development programmes are directed.

But the effect of areas of unemployment and deprivation on the general business growth of the West Midlands region is not clear: prosperity and poverty have marched hand in hand in the Midlands since the industrial revolution. Moreover, there is a danger that deprivation saps confidence and drives away potential investors whatever the attractions of, say, a city centre.

Paul Cheeseright

Roads, air services and Birmingham's infrastructure have improved

Take an international spin

BIRMINGHAM promotes itself as a "truly international city" at the heart of a economically reviving West Midlands region. What exactly does this mean?

Mr Bob Moore is a former banker who is now the chief executive of Birmingham 2000, a pressure group representing 250 companies in Birmingham. It wants to develop Birmingham as a business centre on a European and world-wide basis.

Mr Moore says: "The West Midlands is attempting to revive economically by attracting new investment in industry. If we are to further this, we have to make Birmingham a city to which foreign businessmen want to come and work. We must have the full range of professional services and cultural attractions, so that potential investors do not feel they have to operate out of London. That is what we mean by creating an international city."

The West Midlands has been successful in attracting nearly 900 foreign companies in the past decade to places such as Telford, Redditch, Coventry and Birmingham. The attraction has been partly the perception of a skilled workforce, partly the assistance on offer, but mostly, the good location.

The West Midlands is at the heart of Britain's motorway network. The opening of the final stretch of the M40 motorway from Oxford to Birmingham in Jan 1991 eased the pressure on the M1. The 27-mile northern relief road will be a privately-run toll road) will provide motorists with an alternative to the heavily congested Midlands section of the M6, from junction 4 at Colehill to junction 11 at Lane Green.

The motorway infrastructure has also meant the development of a distribution/warehouse nexus in the so-called "golden triangle" of the M6, M1 and M42/A42.

From this area, 75 per cent of the UK population can be served within a 4 hour drive time, according to Chester. The estate agent. This makes it ideal as a national distribution centre; the warehouses of Toys R Us, Asda, Toyota and Jacobs are in the area.

The city of Birmingham has improved its internal infrastructure. Mr Alan Wenzhan-

Smith, assistant director of planning at the city council, says: "It was obvious to us in the 1970s that the city centre was letting us down."

An inner-ring road had acted as a straitjacket around a tiny city centre. The city council has managed to bring break open the straitjacket by lowering the road and building a pedestrian bridge linking the civic centre of the city with Centenary Square and the International Convention Centre. Elsewhere, around the inner ring road, pedestrian crossings have slowed the traffic down.

You can now walk from Centenary square through the civic quarter, past the library and museum, as far as the newly pedestrian precinct of New Street, passing a number of bistros and wine bars on the way.

The effect of breaking open the road has created a bigger city centre which includes the Jewellery quarter, the Gunsmiths' quarter, and the Chi-

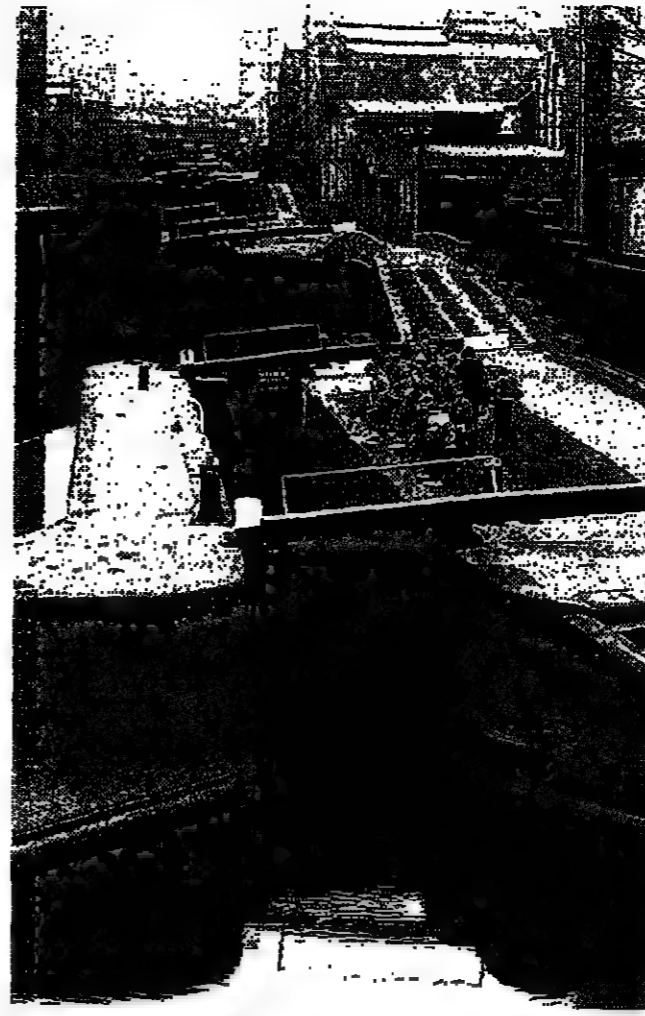
Congested traffic in the West Midlands is costing the regional economy £500m a year

nese quarter and Markets area. Some of the factories in these areas have been turned into offices for the hundreds of bank workers, accountants and lawyers who have moved to the city during the past decade.

But the centrepiece of Birmingham's refurbishment so far has been the International Convention Centre (ICC) and the related National Indoor Arena behind it.

The ICC grew out of the National Exhibition Centre (NEC), close to the airport on the outskirts of Birmingham. The NEC is owned and financed by the city council. In 1991-92 116 exhibitions were held there, and the NEC Arena staged over 100 concerts.

The NEC is managed, on



A more leisurely pace: Birmingham's canal system. Picture: Trevor Humphries

behalf of the city council, through an agency agreement to which the Birmingham Chamber of Commerce is a party. It has been consistently profitable and in the 1992-93 financial year made a contribution to Birmingham city council's fund of £11.64m after all its operating and financial charges. This profitability enabled the management company to raise loans to finance the ICC and the indoor arena. The ICC cost £180m to build, with some £50m coming from the European Regional Development Fund.

Birmingham still has a bad traffic problem. City planners have decided that there is not enough road capacity for all the traffic seeking to use it. The cost of congestion to the West Midlands economy has been put at £500m a year.

A metro or tram system is thought to be the solution. Metro Midland Line 1 will run from Birmingham Snow Hill to Wolverhampton. The capital cost will be £100m, some of it coming from the government, some from the EC. Part would come from the private sector.

A second line from the city centre out to the airport is costed at £250m, and plans for a third line are well advanced. It was hoped that work could start in 1994, but Birmingham will have to wait. The starting date is now likely to be 1996.

Birmingham's international airport has not matched Manchester airport's growth - partly because Birmingham is that much closer to London, but also because civil aviation policy specified the growth of

Birmingham's expanded airport now serves 37 destinations in the UK, Europe and the US

Manchester as England's largest airport. But Birmingham airport has expanded rapidly. It now handles nearly 4m passengers and serves 37 destinations in the UK, Europe and the US.

Mr Bob Taylor, managing director of Birmingham International Airport says: "Business travellers find it easy to go to the London airports if they wanted to fly to the US. I feel a landmark was reached in March when BA started its daily flight from Birmingham to New York."

"We are not trying to keep up with Manchester, but I feel more and more business people will want to use Birmingham as a starting point."

Stewart Dalby

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Estimated price/earnings ratios and return on equity

[illegible]

are based on latest annual reports and are updated on January 5 each year.

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| 8861 | Amstar P | \$137 | 137 | 137 | + | 130 | Danville A | 25 | 25 | 25 | + | 56100 | Libbey | \$22 | 22 | 22 | + |
| 177010 | Amstar P | \$137 | 137 | 137 | + | 14748 | Danville A | 110 | 265 | 400 | + | 7659 | Macdonald | \$8 1/2 | 8 1/2 | 8 1/2 | + |
| 8150 | Amstar P | \$137 | 137 | 137 | + | 14615 | Danville A | \$14 | 14 | 14 | + | 4202 | Macdonald | \$1 1/2 | 1 1/2 | 1 1/2 | + |
| 17496 | Amstar P | \$20 | 20 | 20 | + | 14637 | Danville A | \$10 | 10 | 10 | + | 6065 | Macdonald | \$1 1/2 | 1 1/2 | 1 1/2 | + |
| 401 | Amstar P | \$15 | 15 | 15 | + | 12626 | Danville A | \$8 1/2 | 8 1/2 | 8 1/2 | + | 6065 | Macdonald | \$1 1/2 | 1 1/2 | 1 1/2 | + |
| 43001 | Amstar P | \$25 1/2 | 25 1/2 | 25 1/2 | + | 12632 | Danville A | \$10 | 10 | 10 | + | 6065 | Macdonald | \$1 1/2 | 1 1/2 | 1 1/2 | + |
| 90490 | Amstar P | \$21 | 21 | 21 | + | 23475 | Danville A | \$6 1/2 | 6 1/2 | 6 1/2 | + | 6065 | Macdonald | \$1 1/2 | 1 1/2 | 1 1/2 | + |
| 18000 | Amstar P | \$14 1/2 | 14 1/2 | 14 1/2 | + | 74940 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 7179 | Mark Res | \$8 1/2 | 8 1/2 | 8 1/2 | + |
| 22239 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 10000 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 7179 | Mark Res | \$8 1/2 | 8 1/2 | 8 1/2 | + |
| 177010 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 1300 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 7179 | Mark Res | \$8 1/2 | 8 1/2 | 8 1/2 | + |
| 27100 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 1300 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 7179 | Mark Res | \$8 1/2 | 8 1/2 | 8 1/2 | + |
| 34000 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 1300 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 7179 | Mark Res | \$8 1/2 | 8 1/2 | 8 1/2 | + |
| 72000 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 1300 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 7179 | Mark Res | \$8 1/2 | 8 1/2 | 8 1/2 | + |
| 24000 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 1300 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 7179 | Mark Res | \$8 1/2 | 8 1/2 | 8 1/2 | + |
| 24000 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 1300 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 7179 | Mark Res | \$8 1/2 | 8 1/2 | 8 1/2 | + |
| 177010 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 1300 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 7179 | Mark Res | \$8 1/2 | 8 1/2 | 8 1/2 | + |
| 27100 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 1300 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 7179 | Mark Res | \$8 1/2 | 8 1/2 | 8 1/2 | + |
| 34000 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 1300 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 7179 | Mark Res | \$8 1/2 | 8 1/2 | 8 1/2 | + |
| 72000 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 1300 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 7179 | Mark Res | \$8 1/2 | 8 1/2 | 8 1/2 | + |
| 24000 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 1300 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 7179 | Mark Res | \$8 1/2 | 8 1/2 | 8 1/2 | + |
| 24000 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 1300 | Edco Bay M | \$15 1/2 | 15 1/2 | 15 1/2 | + | 7179 | Mark Res | \$8 1/2 | 8 1/2 | 8 | |

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